

# DAILY REPORT

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FOREIGN MINISTRY REPLIES TO SRV ON XISHA VISIT

OW070808 Beijing XINHUA in English 0748 GMT 7 Jan 86

[Text] Beijing, January 7 (XINHUA) -- A Chinese Foreign Ministry spokesman refuted a recent Vietnamese claim to China's Xisha and Nansha Islands in a statement issued here today. According to the statement, a spokesman for the Vietnamese Foreign Ministry issued the statement last Saturday, clamoring once again that the Xisha Islands and Nansha Islands were "Vietnamese territory".

The Vietnamese spokesman attacked General Secretary Hu Yaobang of the Chinese Communist Party Central Committee for his recent inspection tour of China's Xisha Islands where he joined the garrison troops there in the new year celebrations.

"As is known to all, like the Dongsha and Zhongsha Islands, the Xisha and Nansha Islands have been China's sacred territory since ancient times. China has indisputable sovereignty over these islands, which brooks no encroachment by any foreign country," the Chinese spokesman said. "As General Secretary Hu pointed out during his inspection tour of the islands," he said, "we do not want a single inch of territory from any foreign country, nor do we allow anyone to occupy a single inch of our great motherland." He said that the groundless attack by the Vietnamese authorities only serves to lay bare once again Vietnam's obstinacy in continuing to oppose China and persisting in its aggression and expansion.

U.S. STUDIES RETALIATORY OPTIONS AGAINST LIBYA

OW070739 Beijing XINHUA in English 0637 GMT 7 Jan 86

[Text] Washington, January 6 (XINHUA) -- President Ronald Reagan and his top national security advisers today reviewed "retaliatory moves" against Libya, administration officials said. The officials said Reagan has narrowed his options to using economic pressure and has rejected, at least for the moment, military action against Libya. Both the White House and State Department did not elaborate on the plan.

The United States has accused Libya of being linked to the December 27 terrorist attacks on the Rome and Vienna airports in which 19 people died, including five Americans, and more than 100 were wounded. Libya has denied any involvement in the airport attacks. Libyan leader Mu'ammar al-Qadhafi has warned that any U.S. attacks on Libya would be answered by suicide squads' striking inside the United States.

Late last week, the United States ordered the aircraft carrier Coral Sea, with four squadrons of F-18 strike fighters aboard, to the central Mediterranean. There are now about 24 U.S. ships stationed in the Mediterranean in the event Reagan orders military reprisals, according to a Pentagon spokesman. Meanwhile, the United States has repeatedly urged its Western allies to impose economic and political sanctions against Libya. Western European countries, however, have reacted coolly to the plea. There are also signs of growing concern, particularly among countries in the Mediterranean, over a possible flare-up of violence.

The United States imposed a ban on importing Libyan oil and severed diplomatic relations with Libya in 1981 when U.S. Navy jets shot down two Libyan fighter planes over the Gulf of Sidra.

USSR, U.S. TO BEGIN TALKS ON CHEMICAL WEAPONS

OW050318 Beijing XINHUA in English 0248 GMT 5 Jan 86

[Text] Washington, January 4 (XINHUA) -- The United States and the Soviet Union are soon to begin talks on preventing the spread of chemical weapons throughout the world, reported THE WASHINGTON POST today quoting officials of the Reagan administration. The projected talks on the subject are based on the joint communique by President Ronald Reagan and Soviet leader Mikhail Gorbachev in Geneva last November which pledged to "accelerate efforts" to obtain a worldwide ban on chemical weapons.

In an interview with the POST yesterday, Kenneth Adelman, director of the U.S. Arms Control and Disarmament Agency, said that "the proliferation of chemical armament is gaining momentum." More than 15 nations are now believed to possess chemical weapons compared to five nations in the 1960s, he said.

The United States has charged the Soviet Union of supplying chemical weapon materials, technology or advice to at least six countries listed as having obtained chemical weapons. The U.S. Defense Intelligence Agency also charged in a report issued last October that the Soviet Union had stocked nerve gas at 32 sites in Eastern Europe.

The officials said that the Reagan administration hoped that the forthcoming talks on chemical weapons will inaugurate a long-term U.S.-Soviet cooperative relationship on this issue as that they have already had on preventing the spread of nuclear weapons. But analysts here believe that there is little expectation of a breakthrough in this area in the foreseeable future since the priority of the United States at this moment is to resume production of chemical weapons after a 16-year suspension as a "deterrent" and a bargaining chip with the Soviets. The U.S. Congress approved last month roughly 125 million U.S. dollars for the resumption of chemical weapons production beginning next October.

PRAVDA ACCUSES U.S. OF PURSUING 'NEW GLOBALISM'

OW070330 Beijing XINHUA in English 0255 GMT 7 Jan 86

[Text] Moscow, January 6 (XINHUA) -- Leading Soviet newspaper PRAVDA today sharply denounced Washington for not being interested in peace but added that Moscow is ready to cooperate with the United States and other countries to find solutions to regional controversies.

In an editorial for tomorrow's issue, PRAVDA said that "influential forces in the United States are growing more active in a bid to prevent any improvement in Soviet-American relations." In what is believed to be one of the strongest attacks against Washington since the superpower Geneva summit last November, PRAVDA said Washington is upholding the "slogan of new globalism" in its foreign policy, which "can be summed up as the assertion of the U.S. right to intervene on a global scale in the affairs of sovereign states, to wage against them undeclared wars and covert and overt subversive operations and to pursue a policy of state terrorism."

Apparently referring to U.S. President Ronald Reagan's interview on January 2 with Mexican reporters in which he accused Moscow of being the source of troubles in Central America, PRAVDA said "the outbursts of U.S. 'regional preoccupation,' strangely enough, coincide with those periods which saw signs of a change for the better in relations between the Soviet Union and the United States and opportunities to reach accord on crucial security measures." Some influential forces in Washington "are scared by the positive results of the Geneva summit which provided favorable preconditions for starting a constructive dialogue on regional problems," the editorial said.

Ending on a brighter note, it said Moscow has already "laid stress on the readiness to cooperate with all countries, including the United States, in working out fair and honest political solutions to the existing regional problems."

LOMEYKO DENOUNCES U.S. 'STATE TERRORISM'

OW061842 Beijing XINHUA in English 1835 GMT 6 Jan 86

[Text] Moscow, January 6 (XINHUA) -- The Soviet Union today denounced as "state terrorism" the U.S. statements of possible action against Libya after last month's incidents at Vienna and Rome airports. Government spokesman Vladimir Lomeyko, chief of the Press Department of the Soviet Foreign Ministry, told a news conference here today that the U.S. statements were an expression of "new globalism" of the United States.

"We express the hope that there will not be any aggression, although there are very many facts that indicate it is coming to this," he said. "The United States wants to punish Libya through the use of military force...They are not thinking of how to settle the dispute between the U.S.A. and Libya but how to use military force in the best way..."

However, he refused to be drawn on the Soviet response should the United States carry out what he called its policy of "state terrorism" against Libya, Syria or other countries. He said Moscow is ready to cooperate with other countries in reasonably solving regional conflicts. But he declined to discuss Soviet support for Libya.

BEIJING KOREAN ON CHINESE-KOREAN FRIENDSHIP

SK070401 Beijing International Service in Korean 1100 GMT 31 Dec 85

[Dialogue between two unidentified speakers entitled "1985, Another Year Which Has Decorated a New Chapter in the History of Chinese-Korean Friendship"]

[Text] [First speaker] How are you? In this hour, we would like to recall important events of friendly exchanges between our two countries of China and Korea in 1985, another year which has decorated a new chapter in the history of Chinese-Korean friendship.

[Second speaker] Recalling the important friendly exchanges between our two countries last year, I can say that the most important events were, first of all, the visit to Korea by Comrade Hu Yaobang, general secretary of the CPC Central Committee from 4 to 6 May. Next was the visit of scores of Chinese delegations, including the Chinese party and government delegation led by Comrade Li Peng, member of the Political Bureau of the CPC Central Committee, secretary of the Secretariat, and vice premier of the State Council, to attend the function marking the 35th anniversary of the entry of the Chinese People's Volunteers [CPV] into the Korean front. Thirdly, we can point out the visit of the 500-member Korean youth friendship delegation to China from 23 August to 5 September.

[First speaker] Will you tell us about the visit of Comrade General Secretary Hu Yaobang to Korea?

[Second speaker] Comrade General Secretary Hu Yaobang paid an unofficial visit to Sinuiju, a border city of Korea, from 4 to 6 May, at the invitation of Comrade Kim Il-song, general secretary of the Central Committee of the Workers Party of Korea [WPK]. The emotional and warm welcome given to Comrade Hu Yaobang by some 100,000 citizens of Sinuiju at the compound and plaza of the railway station is still a vivid memory. [music and shouts of crowds]

[First speaker] Even by the shouts of welcome, I think I can see the splendid scene.

[Second speaker] You are right. General Secretary Hu Yaobang said when he met with Comrade Kim Il-song that he was very grateful for such a warm welcome even to his unofficial visit. Through the deep friendly relations between the leaders of the our two countries, who were exchanging heart-to-heart talks with each other, we realized how deep the friendship between the two countries of China and Korea was.

The significance of the visit was clearly defined in the addresses made by Comrade Kim Il-song and Comrade Hu Yaobang at the banquet. Comrade Kim Il-song said at that time:

[Begin recording of Kim Il-song speech -- details unmonitorable]

Comrade Hu Yaobang said at that time:

[Begin recording in Chinese fading into Korean translation] I feel that the frequent mutual visits by the important leaders of our two parties are surely important and surely beneficial, showing how close our two parties, two states, and two peoples are, sharing joy and sorrow with each other.

This made me feel that the great friendship of the peoples of China and Korea, who share their destiny and who are as close as lips and teeth, will not be crushed by any strength under any circumstances regardless of the times, today or in the future [end recording]

[First speaker] Indeed, the mutual visits of the important leaders of our two countries are of profound significance to passing on the Chinese-Korean friendship from generation to generation. Will you tell us about the visit to Korea of the Chinese party and government delegation which began on 24 October last year?

[Second speaker] The Chinese party and government delegation led by Vice Premier Li Peng was a high-level delegation participating in the event marking the 35th anniversary of the CPV entry into the Korean front.

[First speaker] You mean, many delegations other than the Chinese party and government delegation attended this function?

[Second speaker] You are right. The Chinese people's friendship delegation led by Comrade Yang Shangkun; the delegation of the former CPV headed by Comrade (Yu Jienhua); the delegation of CPV heroes; the delegation of bereaved families of the CPV; the delegation of the Ministry of Public Security of China; the delegation of the pan-Chinese Chamber of Commerce and Industry; the delegation of the magazine HONGQI; the delegation of RENMIN RIBAO; the delegation of the Communist Youth League of China and the delegation of Sichuan Province attended the event.

[First speaker] And the song and dance ensemble of the Ministry of Railways of China also visited Korea and gave performances there during that period.

[Second speaker] Various other delegations were invited to participate in these celebrations. Holding bunches of flowers, thousands warmly welcomed our delegations at Sunan Airport and Pyongyang Station in Korea on and around 25 October. Therefore, just before the celebrations, Korea's capital of Pyongyang was swarming with Chinese-Korean friendship. This was significant in deeply recollecting the unforgettable friendship in fighting, in the past, against the common enemy in the same trench and in passing this friendship from generation to generation. All celebrations held during this period literally submerged us in the hot sea of Chinese-Korean friendship.

[First speaker] Let us talk about the visit to China by a Korean good-will inspection group of 500 youths.

[Second speaker] As far as I know, this is the first time in the history of friendly exchanges between our two countries that such a large-scale youth group on an inspection tour held a friendship meeting.

[First speaker] After attending a friendship meeting in Beijing, the Korean good-will inspection group, consisting of 500 youths, toured various places in our country.

[Second speaker] The first team of the inspection group toured Guangzhou, (Sinsu), (Musok), Nanjing, and Shanghai; the second team toured Tianjin, Shenyang, and Dandong; and the third team toured Harbin, Changchun, Jilin, and Tumen. Wherever they went, they were warmly welcomed by our country's youths. A glimpse of a welcoming meeting held at the auditorium of the Chinese People's Political Consultative Conference well exemplifies the warm sentiment of our country's youth toward the Korean youth inspection group.

[Begin recording of a recital of a poem, followed by a Korean translation read by the first and second speakers]

[Second speaker] Why are songs so loud and clear today? Why are flowers so beautiful today? Oh, that is because older brothers and sisters of the Korean youth good-will inspection group are here.

[First speaker] We welcome you. We warmly welcome you. We congratulate you. We warmly congratulate you. We pay noble respects with loud fanfare and wreaths of beautiful flowers.

[Second speaker] We came to know Yalu Jiang through [words indistinct] and we came to know Toraji [a Korean traditional folk song] through [words indistinct]. We heard, from our fathers and mothers stories of friendship, in which the Chinese and Korean peoples have fought together shoulder to shoulder. Older brothers and sisters: You have recited a song on mutual support by the Chinese and Korean peoples.

[First speaker] We know that the Chinese and Korean peoples depend on each other and are as close as lips and teeth.

[Second speaker] Tomorrow, we will cultivate the seed of friendship that brothers and sisters sowed today. Tomorrow, we will live in the flower garden of China-Korea friendship.

[First speaker] We will sow the seeds of friendship on a land covering 9.6 million square km, and plant flowers of friendship in the land of 3,000 ri. We will link Pyongyang and Beijing, China and Korea with the rainbow of friendship decorated with beautiful flowers. Let us gather and hold a friendship meeting in this rainbow of friendship.

[First and second speakers] We cheer the eternal, immortal Chinese-Korean friendship. We cheer the Chinese-Korean friendship that will be inherited generation after generation. [applause] [end recording]

[First speaker] The dedication poem of the youth's vanguard well exemplifies the significance of the visit to China by the Korean youth good-will inspection group.

[Second speaker] That is right. The baton of Chinese-Korean friendship is being passed to the younger generations of the two countries.

[First speaker] Really, the Chinese-Korean friendship, which was formed with blood, will be passed from generation to generation.

[Second speaker] Really, the year 1985 saw a new chapter in the history of China-Korea friendship opened.

[First speaker] That is right.

#### DPRK WARNS AGAINST 'TEAM SPIRIT' EXERCISES

OW070007 Beijing XINHUA Domestic Service in Chinese 1331 GMT 4 Jan 86

[Text] Pyongyang, 4 Jan (XINHUA) -- Chon Kum-chol, chief of the delegation from the North to the North-South Korean preparatory meeting for parliamentary talks, warned today that should the South Korean side continue the joint military exercise "Team Spirit" with the United States again this year, it would "result in irretrievably serious consequences for the development of North-South relations."

This is North Korea's third warning in 3 days on this matter, following similar remarks on 2 and 3 January by Yi Song-nok, chief of the delegation from the North to the economic talks, and Yi Chong-yul, chief of the delegation from the North to the talks between the Red Cross Societies. So far, two preparatory meetings for North-South Korean parliamentary talks have been held. Both sides have agreed to hold the third meeting on 18 February this year to map out concrete arrangements for the parliamentary talks.

In his statement, Chon Kum-chol said: Despite talks and contacts in various fields between North and South Korea, "progress is still very slow in view of the aspirations for national reunification." He said: The preparatory meeting for parliamentary talks, in particular, has been delayed for more than 4 months due to lack of sincerity on the part of South Korea. Chon Kum-chol stressed that both sides should deal with the talks in a realistic and correct spirit. He urged the South Korean side to do away with its two-faced attitude and not to stage the military exercise hostile to the North.

In recent years, South Korea and the United States staged the "Team Spirit" joint military exercise in South Korea every year from early February to mid-April. In spite of strong opposition from North Korea and international public opinion, South Korea and the United States dispatched over 200,000 troops last year to stage the largest "Team Spirit" exercise since 1976, which led to the disruption of the economic talks between North and South Korea for 6 months.

#### DPRK PAPER URGES COSPONSORSHIP OF SEOUL OLYMPICS

OW070821 Beijing XINHUA in English 0755 GMT 7 Jan 86

[Text] Pyongyang, January 7 (XINHUA) -- The official Korean newspaper NODONG SINMUN published an article today appealing to South Korea authorities to accept its proposal for both sides to jointly hold the 24th Olympic Games. The appeal came on the eve of the second round of the meeting of representatives from Pyongyang and Seoul scheduled tomorrow in Lausanne to discuss the Olympic Games '88. In the first round of the meeting held last October the North side proposed to co-sponsor the games and share the events which would be held in both Pyongyang and Seoul. But agreement was not reached.

The article said the proposal for co-sponsoring the Olympics conforms with the game's purpose and mission. It is the most realistic proposal for a split Korea, said the article. To co-sponsor the Olympic Games, said the article, would prevent disruption in the games, promote North-South Korean dialogue, and play a positive role in easing military confrontation between the North and the South.

The article said that the North side was capable of holding the Olympic Games. It also noted that many countries had regarded the decision to hold the next Olympic Games in Seoul as incompatible with the basic principle of the Olympic Games, and that they are considering whether they would send delegations to the games. This, said the article, shows the peace-loving people of the world are expecting the North and South of Korea to hold the games jointly so as to guarantee that the Olympic Games proceed smoothly.

NAKASONE REITERATES DESIRE FOR JAPAN-USSR SUMMIT

OW062033 Beijing XINHUA in English 1610 GMT 6 Jan 86

[Text] Tokyo, January 6 (XINHUA) -- Japanese Prime Minister Yasuhiro Nakasone reiterated today he would like to hold a summit with Soviet leader Mikhail Gorbachev.

In a TV interview with Japan Broadcasting Corp. (NHK), Nakasone said he will be happy if Soviet Foreign Minister Eduard Shevardnadze's forthcoming visit to Japan paves the way for him to visit Moscow or for Gorbachev's visit to Tokyo. He added Gorbachev appears to favor dialogue with Western Europe and to be preparing a positive policy towards Japan.

The prime minister first expressed the wish to go to Moscow while he was in the United States last October. At a new year press conference, Nakasone spoke of an exchange of summit visits. He said further in the interview that he will press the Soviet Union not to sacrifice Asia in achieving disarmament in Europe.

INCREASE REPORTED IN CHINESE RESIDENTS OF JAPAN

OW060800 Beijing XINHUA in English 0751 GMT 6 Jan 86

[Text] Tokyo, January 6 (XINHUA) -- The number of foreign residents in Japan totaled 840,000 at the end of 1984, up more than 10 percent over a decade earlier, according to the Justice Ministry. Most of the foreign residents were Asians, who accounted for 93 percent of the total. The number of Filipinos increased sharply, by 207.4 percent over a decade before. Chinese numbered 67,895, an increase of 44.6 percent. Europeans came second with 18,722, taking up 2.2 percent of the total. Americans came third with 27,882, 3.3 percent of the total.

BANK OF CHINA FORECASTS HONG KONG ECONOMY

HK060953 Beijing XINHUA Hong Kong Service in Chinese 1113 GMT 31 Dec 85

[Report: "Full Text of the Special Article by the Economic Studies Office of the HONG KONG AND MACAO ECONOMIC QUARTERLY No 1, 1986"]

[Text] Hong Kong, 31 Dec (XINHUA) -- The Economic Studies Office of the Hong Kong and Macao Administrative Department of the Bank of China released a special article, entitled "The Economy of Hong Kong Will Maintain Its Steady Development," to be carried by GANGAO JINGJI JIKAN [HONG KONG AND MACAO ECONOMIC QUARTERLY] No 1 1986. Full text of the article follows:

## Review of 1985

In 1985, encouraged by the satisfactory settlement of the question on the future of Hong Kong, and by the increasingly extensive and closer economic relations between Hong Kong and the mainland, economic sectors in Hong Kong have shown marked improvement or gained new opportunities for development. On the other hand, the dull major exports market, and in particular the remarkable slowdown in U.S. economic growth, and the decrease in its import demand, have considerably affected Hong Kong's industrial production and marketing. These have been the main motive forces promoting Hong Kong's economic recovery in the past 2 years. This has hindered Hong Kong's economic development as a whole. It is estimated that the annual economic growth is 3.5 percent. This increase, though much smaller than that in the previous year, is by no means inferior to that in neighboring countries or regions.

Among the businesses in the various major economic sectors, real estate and tourism have been rather active. In the first 11 months, the number of transactions and the amount of money involved in the real estate business has increased by 48.9 and 68.7 percent respectively compared with the same period the previous year. There has been an increase of more than 10 percent in the price of houses. The increase in price of large luxury houses exceeds 30 percent. The recovery in varying degrees of the real estate market has brought about a considerable improvement in building construction. Some major housing development projects have started operation. The total floor space of houses completed in the first three quarters of this year exceeds that in the same period of last year by 71 percent, and the import of building machines by 96 percent. There has been a steady development in tourism. More than 2.5 million tourists visited Hong Kong in the first 9 months of the year, topping the number of tourists in the same period of last year by 11 percent. This has been the second consecutive year that a double-digit increase in the number of tourists has been registered. The amount of money spent by tourists totaled \$HK 10.5 billion, representing an increase of 6.3 percent compared with last year.

The manufacturing trades, whose goods are mostly for export, and local consumer trades have not scored satisfactory results in their businesses. In the first 11 months, the total value of Hong Kong's exports amounted to \$HK 422.6 billion, showing an increase of 5 percent, as against 34 percent in the same period the previous year. Entrepot trade increased by 28.6 percent, but the export of Hong Kong-made products showed a decrease of 6.7 percent as compared with an increase of 34.6 percent in the same period last year. The decrease in the export of Hong Kong goods was chiefly caused by the overall decline in exports to the four major markets, namely, the United States, The United Kingdom, West Germany, and Japan, and also by the impact of the rise of trade protectionism in some countries.

Fortunately, Hong Kong's exports to the mainland in this period continued to register an increase of about 41 percent. Otherwise, the situation would be even worse. There was an increase of only 3.4 percent in import trade during the same period. For this reason, Hong Kong enjoyed a favorable balance of trade exceeding \$HK4 billion in the first 11 months. As a result of the weak demand for Hong Kong goods in the major Western markets, Hong Kong's factories have received fewer orders, and business in the major trades were unsatisfactory. The electronics trade was most seriously affected. The decrease in industrial production weakened public consumption power and caused a dull local market. Department stores and restaurants faced greater difficulties and competition.

The banking business continued to grow. By the end of October, the amount of money deposited in banks and deposit-taking companies totaled \$HK432.5 billion, representing an increase of 17.4 percent compared with that at the end of 1984; the amount of loans issued totaled \$HK438.2 billion, representing an increase of 4 percent over the end of 1984. The interim results of businesses announced by locally registered banks showed a general improvement. Prices of imported goods have been relatively low for the greater part of 1985. This is because the Hong Kong dollar in 1984 and the first half of 1985 was in a strong exchange position. This is also because the inflation rate of Hong Kong's major trade partners in 1984 has been low and the world commodity market has continued to be dull.

#### Prospects for 1986

Prospects for 1986 show that, in light of the moderate economic growth of Western countries and the increasingly closer economic ties between Hong Kong and the mainland, Hong Kong will progress steadily and obtain an economic growth slightly better than that in 1985.

It is expected that Hong Kong's industrial production and marketing will improve in the new year. There are three main factors beneficial to industrial production and marketing: First, the moderate economic growth of Western countries will probably lead to an increase in their demand for Hong Kong goods. Second, the start of our country's Seventh 5-Year Plan period, together with the steady development of the national economy, will maintain an increase in demand for Hong Kong goods. Third, the recent decline in the exchange rate of the Hong Kong dollar against Western currencies as a result of the weakening of the U.S. dollar will help increase the competitive power of Hong Kong's export goods.

However, it should be seen that Western trade protectionism has thrown increasingly more obstacles in the way of Hong Kong's exports. Although the U.S. "Jenkins-Thurmond bill" has been vetoed by President Reagan, yet other trade protectionist bills will be proposed in turn. Moreover, whether it is extended or not, the "MFA," which expired in July this year, will puzzle the textile exporting countries and regions to a certain extent. Apart from this, our country's import structure will be readjusted. That is, there will be a considerable reduction in the import of consumer goods and a considerable increase in the import of goods and materials used as means of production. For this reason, the export of Hong Kong goods to the mainland will need to go through a process of adaptive readjustment. Because of these factors, Hong Kong's industrial production and marketing will hopefully make a slight improvement in the new year, but can hardly register a marked increase.

The real estate market will witness steady development. Some favorable factors that have promoted the prosperity of the real estate market over the past year or so will continue to exist. These factors are: The market will have an ample supply of funds; more funds will be put into the land property market; banks will continue to offer loans on favorable terms to apartment buyers as a means of using their money; and bank interest rates will remain at a relatively low level and it is unlikely that they will increase by a large margin.

These factors are conducive to the continued development of the real estate market in the new year. However, it should be noted that new changes are developing in the relations between supply and demand: First, a considerably large part of the purchasing power accumulated over the preceding years has been consumed in the past year. As the price of apartments has risen, some people who wanted to buy apartments for their own use adopted a cautious attitude. Second, the slowdown in Hong Kong's economic growth in 1985 and 1986 will weaken the purchasing power of the market. Third, a rather large number of houses of various types are still vacant. More new houses have been completed this year than in the preceding 2 years combined, so that there is an ample supply. Therefore, it is expected that the increase in the price of houses will be depressed to a certain extent in the new year.

Banking will continue to develop steadily in the course of readjustment. The implementation of new banking regulations will help Hong Kong's banks to develop healthily. However, under close supervision by the new regulations, some banks will have to increase their capital, readjust their business policies and improve their management in order to create better conditions for their businesses. Their deposit taking will show a noticeable improvement as funds continue to flow in from the Southeast Asian countries. Yet, they cannot possibly make big progress in the issuance of loans, because the way out for their money locally and overseas is quite limited. The competition among local banks will be more and more fierce.

The stock market will remain active where there are ample funds and interest rates are low. However, after the quick rise in prices over the past year and more, the prices of some shares that have been actively trading are considerably high. Some companies whose shares are traded on the stock market are in a rather difficult situation and are unlikely to improve their businesses in the near future. For this reason, the general market will witness the improvement of individual shares and may show some significant setbacks.

The Hong Kong dollar will remain stable under the premise of fixed issuance of bank notes and unchanged foreign exchange rates. Its exchange rate to the U.S. dollar will fluctuate within a narrow margin. The weakening of the Hong Kong dollar together with the U.S. dollar in the second half of 1985 may raise the prices of imported goods to a certain degree. However, the price rise will be depressed by other factors, such as the drop in prices of raw materials in the world market, the unlikelihood of a rise in prices of other commodities in the near future, and the weak local demand for consumer goods. Therefore, the rise in prices of consumer goods in the new year may be higher than that in 1985, but will still be rather moderate.

Tourism will develop considerably as a result of the further implementation of our country's policy of opening to the outside world and such other favorable factors as the decline in exchange rate of the Hong Kong dollar together with the U.S. dollar.

In short, Hong Kong's economy will meet more challenges in the new year. It is believed that Hong Kong's industrialists and businessmen, who are known for their strong adaptability, will work hard and realistically to usher in a year of steady development, a year better than the last.

#### LIAOWANG TO PUBLISH EDITION IN HONG KONG

OW031625 Beijing XINHUA in English 1608 GMT 3 Jan 86

[Text] Hong Kong, January 3 (XINHUA) -- A Chinese newsweekly, OUTLOOK WEEKLY, will publish its overseas edition in Hong Kong as of January 6.

Among the major articles carried in the first issue of the edition is an important speech made by Chinese State Councillor Ji Pengfei at a meeting with representatives from Hong Kong's trade unions, educational circles and students organizations during his recent visit to Hong Kong. The first issue also carries a story on visits to China of Singapore's former First Deputy Prime Minister Goh Keng Swee, a signed article on Taiwan's leadership succession, a leading Chinese foreign relations expert's forecast of the international situation, and interviews with the Guangdong provincial governor and Shenzhen mayor.

The overseas edition of OUTLOOK WEEKLY was started in New York in September 1984 and has since been distributed in North America. Beginning this year, the edition, with a new format and content, will be typeset in Hong Kong, printed simultaneously in Hong Kong and New York, and distributed throughout the world.

The comprehensive news magazine devotes itself to reporting China's policies and trends in political, economic, cultural, diplomatic and other fields, and commenting on major events and developments in China and the rest of the world. Deputy Director of the Hong Kong branch of XINHUA NEWS AGENCY Chen Bojian gave a reception here this evening for the launching of the overseas edition of OUTLOOK WEEKLY in Hong Kong.

#### HENG SAMRIN ARMY DIVISION REPORTEDLY DISBANDED

OW070750 Beijing XINHUA in English 0722 GMT 7 Jan 86

[Text] Beijing, January 7 (XINHUA) -- An army division of the Heng Samrin regime stationed in Anlong Reap, Pursat Province, Kampuchea, was disbanded late last month as it had only 200 servicemen left after 850 of its men revolted and deserted in mid-December. The revolt ended in many Vietnamese casualties, according to radio Democratic Kampuchea today.

The radio also said that a group of the Heng Samrin troops stationed in Sisophon of Battambang Province killed and wounded nearly 100 Vietnamese troops in a mutiny on December 28. The rebel soldiers deserted after the mutiny.

#### PHILIPPINE DIPLOMAT RESIGNS TO SUPPORT AQUINO

OW062035 Beijing XINHUA in English 1557 GMT 6 Jan 86

[Text] Manila, January 6 (XINHUA) -- The Philippine head of a United Nations agency today resigned her office in the Philippine Foreign Ministry and pledged her support for opposition presidential candidate Coazon Aquino. Leticia Ramos-Shahani, a cousin of President Ferdinand Marcos and a sister of Armed Forces Vice Chief-of-Staff Fidel Ramos, was U.N. assistant secretary-general for social development and humanitarian affairs before her resignation.

In a press statement, Mrs. Shahani said she resigned as "chief of mission, class 1" in the Philippine Foreign Service, a position from which she has been on leave without pay since January 1981. However, she would remain head of the Vienna-based Center for Social Development and Humanitarian Affairs, as an appointee of U.N. Secretary General Perez de Cuellar. She resigned after Acting Foreign Minister Pacifico Castro reminded her that as a diplomat she should not engage "directly or indirectly in any partisan activity or take part in any election except to vote," she said. However, she said she supported Mrs. Aquino in her capacity as a private citizen. She has reportedly asked a women's group to vote for Mrs. Aquino.

YEAR-ENDER ON 'STALEMATE' IN BANGLADESH POLITICS

OW301922 Beijing XINHUA in English 1833 GMT 30 Dec 85

[**"Year-ender: Stalemate Persists in Bangladeshi Politics (by Wu Dingbao and Xuan Zengpei)" -- XINHUA headline**]

[Text] Dhaka, December 30 (XINHUA) -- The much-talked-of and long-awaited national elections in Bangladesh have yet to take place as 1985 has seen no breakthrough in the country's political stalemate.

The stalemate was caused by the emergence of diametrically different views between the martial law government and the opposition over a major political issue here -- how the constitutional system is to be revived. The martial law government headed by H.M. Ershad insists that national polls should be held under martial law as in the past while the opposition demands that the martial law be lifted and a parliamentary election held before any other elections and under a neutral government.

The situation changed with the holding of a nationwide referendum in March, 1985 after the government reimposed a ban on political activities. Ershad won a landslide victory in the referendum by collecting 94 percent of the votes. This stunned the opposition groups -- mainly the seven-party combine and the 15-party alliance -- in their drive against the martial law government. But the referendum has solved no problems. It remains to be the public's feeling that the martial law cannot exist permanently and that national polls have to be held to establish a democratic government.

President Ershad announced recently that the ban on open political activities will be lifted from January 1, 1986 to create a congenial atmosphere for national elections. The opposition parties, however, have reacted negatively to the announcement and renewed their demands. They staged massive anti-government demonstrations and rallies in Dhaka on December 16 when restrictions on open political activities were still in force. But both opposition alliances have reportedly suffered from poor leadership, inter-alliance differences and a split-off of some parties for joining the government.

On the other hand, the pro-government National Front formed by five political parties in September this year has not yet established its grass-roots organizations and popularity among the people. Political observers here believe that the prospect of early elections is dim as both the government and the opposition are not prepared.

Since the martial law government refuses to consider itself a purely interim one with no stake in the country's future politics, the opposition parties are planning to hold rallies and processions all over the country on the coming New Year's Day to press home their demands. There are no signs in sight of easy reconciliation between the two sides. But observers here maintain that the opposition might be tempted into elections by an announcement of election dates and a reasonably neutral posture to be assumed by the government just as it did before March this year when the martial law apparatus was dismantled and the ministers from pro-government political parties resigned.

POLISH OFFICIAL EXPECTS INCREASED TRADE WITH PRC

OW050750 Beijing XINHUA in English 0739 GMT 7 Jan 86

[Text] Warsaw, January 5 (XINHUA) -- Polish-Chinese trade will likely be expanded on a larger scale during the next five years, Edward Pietrzak, chairman of the China Committee of the Polish Foreign Trade Chamber, said here Saturday.

Expressing satisfaction with the growth of trade exchanges between the two countries last year, Pietrzak said that the targets, set by the Polish-Chinese trade agreement for the 1986-1990 period, could be over-reached. Pietrzak said many Chinese consumer goods are of high quality and have found a good market in Poland. In turn, he noted, Poland is attempting to study the Chinese market and to provide fine products which fit the demands of Chinese consumers.

The new committee of the Polish Foreign Trade Chamber was formed last April to promote trade relations between Poland and China.

YUGOSLAVIA CONDEMS ISRAELI MILITARY THREATS

OW061905 Beijing XINHUA in English 1852 GMT 6 Jan 86

[Text] Belgrade, January 6 (XINHUA) -- The Yugoslav Foreign Ministry today condemned Israel's military threats against Libya and other Arab countries, and appealed to all parties concerned to exercise restraint in facing the mounting tension in the region. Yugoslavia is deeply concerned with the developments in the Mediterranean region, where tension is growing and military interference is being threatened, the Foreign Ministry said in a statement. Yugoslavia firmly condemns Israeli threats of aggression against some Arab countries, Libya in particular, it added.

The statement said Yugoslavia supports the Arab League Council's recent condemnation of such threats, and calls on all sides concerned to refrain from issuing threats or using force. Terrorist attacks in the Rome and Vienna airports last month, the statement added, cannot be used as an excuse for taking actions against the territorial integrity of independent sovereign countries.

BRANKO MIKULIC NOMINATED TO SFRY LEADERSHIP ROLE

OW062045 Beijing XINHUA in English 1839 GMT 6 Jan 86

[Text] Belgrade, January 6 (XINHUA) -- Yugoslavia's state presidency has officially nominated Branko Mikulic to succeed Prime Minister Milka Planinc, whose four-year mandate ends in May, the official news agency TANJUG reported today. But, according to the Constitution, the nomination of Mikulic, 57, will be debated through the Federal Conference of the Yugoslav Socialist Alliance of the Working People, a Yugoslav mass political organization.

Mikulic, of Croatian nationality, was formerly the head of the Communists League and he headed the Olympic Organizing Committee for the 1984 winter games held in Sarajevo.

XINHUA INTERVIEWS CHAD'S HABRE ON RELATIONS

OW041312 Beijing XINHUA in English 1303 GMT 4 Jan 86

[Text] Ndjamen, January 3 (XINHUA) -- Chad's President Hissein Habre said Friday that with the end of warring across Chad, "the relations of friendship and cooperation between Chad and China will find a new momentum and a new dynamic."

In an interview with XINHUA, Habre said that because of war throughout Chad, relations with China "have suffered" and China was forced to temporarily close its embassy. "But today," Habre said, "this temporary situation is part of the past since the Chinese ambassador is coming to reopen the embassy doors." Habre said, "China, who belongs to the large family of countries of the developing world, has a great experience in the areas of economic and social, technical and technological development. The basis for the development of our relations is very large."

On situations inside his country, President Habre said that the agreement signed recently in Libreville between the Chadian Government and the opposition groups will be effective for the enhancement of national unity and the consolidation of peace in Chad. The support from the international community not only contributed to Chad's reconstruction after war, but also will be important to the process of peace and reconciliation in his country, the president added to XINHUA.

Habre noted that the temporary economic rejuvenation plan of Chad beginning from 1986 is aimed at a higher level of the country's economic and social development compared with that before the war. He further showed his confidence in the realization of the plan made by the Chadian Government with the effort of the Chadian people and the support of the international community.

TRADE PROTOCOL SIGNED WITH UAE IN ABU DHABI

OW061322 Beijing XINHUA in English 1302 GMT 6 Jan 86

[Text] Kuwait, January 6 (XINHUA) -- A protocol on trade cooperation between China and the United Arab Emirates (UAE) was signed in Abu Dhabi last night, it was learned here today. The protocol, aimed at activating trade between the two countries was signed by Sajied Ahmad al-Utaybah, president of Abu Dhabi Chamber of Commerce and Industry, and Wang Yaoting, president of China's Council for Promotion of International Trade. After signing the protocol, UAE Minister of Economy and Trade Sayf al-Jarwan described the protocol as a new step of in economic cooperation between the two countries.

The UAE and China established diplomatic relations in November 1984 and signed an agreement on economic, trade and technological cooperation last November during Chinese Vice-Premier Yao Yilin's visit to the country. A Chinese delegation headed by Wang, arrived in the UAE Saturday. It met Shaykh ibn Sultan al-Qasimi, ruler of Sharjah and member of the UAE Supreme Council yesterday. The two sides discussed ways of strengthening relations in different fields between the two countries.

CROCKER REAFFIRMS U.S. SUPPORT FOR SUDAN

OW070302 Beijing XINHUA in English 0157 GMT 7 Jan 86

[Text] Khartoum, January 6 (XINHUA) -- Visiting U.S. Assistant Secretary of State for African Affairs Chester Crocker today told Sudanese military leader General Siwar al-Dhabab that the United States will continue to support Sudan and is ready to provide aid to the African country in the future.

According to the SUDAN NEWS AGENCY, Crocker, who met with Gen Siwar al-Dhahab shortly after he arrived here today, said that the American people are watching with profound interest the democratic changes currently taking place in Sudan.

Crocker also met today with Sudanese Prime Minister al-Jazuli Daf'allah and Foreign Minister Ibrahim Taha. They discussed events taking place in Sudan since the bloodless military coup in April last year. Washington has been deeply concerned about improved Sudan's relations with Libya and the Soviet Union, although the new Sudanese Government time and again declared the improvement of its relations with other countries will not hamper its relations with the United States.

XINHUA REPORTS LIBYAN DEMONSTRATIONS AGAINST U.S.

OW040450 Beijing XINHUA in English 0203 GMT 4 Jan 86

[Text] Cairo, January 3 (XINHUA) -- Demonstrations were held today in several cities of Libya against the United States and Israel, according to Tripoli radio monitored here. The demonstrators expressed the Libyan people's determination and readiness to face any possible attacks against the country, the radio said.

Since the attacks at the international airports in Rome and Vienna last Friday, Israel and the United States have repeatedly threatened to take retaliatory actions. Israeli Premier Shimon Peres said on New Year's Day that Israel will use its available means against the bases of any terrorists and organizations. He also named Libya as the first state supporting terrorism. Meanwhile, the U.S. State Department announced the same day that Libya was involved in the terrorist attacks and the U.S. joint staff had drafted a list of the military options which were aimed at punishing terrorists. Libya has reportedly denied its involvement in the twin attacks and declared its condemnation of international terrorism and its support for the just struggle of all peoples to restore their freedom and national rights.

Meanwhile, a report from Damascus said a Syrian official spokesman reiterated in a statement today that "Syria will take political, military and other measures to support Libya in confronting possible U.S.-Israeli attacks." The spokesman also urged all Arab countries to support Libya and one another in resistance against "all kinds of aggression."

ENVOY TO SEYCHELLES PRESENTS CREDENTIALS

OW061314 Beijing XINHUA in English 1306 GMT 6 Jan 86

[Text] Victoria, January 6 (XINHUA) -- New Chinese Ambassador to Seychelles Huang Guocai presented his credentials to Seychellois President France Albert Rene this morning in the State House. The ambassador and the president discussed cooperation and friendly relations between the two countries.

Huang arrived in Seychelles on January 2.

COMMENTATOR VIEWS CAREER OF SWINDLER DU GUOZHEN

HK061124 Beijing RENMIN RIBAO in Chinese 30 Dec 85 p 1

[Commentator's article: "What Is Shown by the Career Rise and Arrest of 'Du, the God of Fortune'?" ]

[Text] Regional papers have recently reported many shocking cases of fraud and profiteering that involve amounts ranging from tens of thousands to millions of yuan. However, compared with the big swindler Du Guozhen, those swindlers are nothing.

Du Guozhen once had such magic powers that he became the so-called "god of fortune" who some people respected. Within a few months, he swindled more than 100 million yuan, smuggled goods worth more than 20 million yuan, and gained 120 million yuan through profiteering and speculation.

People might think that Du Guozhen is a very skillful and experienced swindler. But when people read the reports about this "god of fortune," they may be disappointed. At the very beginning, Du Guozhen only boasted that he had a certain "background" in Taiwan and Hong Kong. Such lies could easily be exposed. But after one person believed, soon 100 followed, and then a farce began. To go from being a "worker-substitute cadre-office clerk" to a well-known "god of fortune," Du Guozhen had to pass various barriers. Had a red light been lit at any of these barriers, Du would have been stopped. However, Du passed all these barriers without any difficulties with the help of money. From this farce, people can see that it is not that "Du, the god of fortune" who had excellent swindling skills, but that some party and government cadres were extremely foolish and sold honor for money.

The deal concerning power and money is strange. The collaboration of cadres who have carried out revolution for decades and a swindler is likewise strange. The service given to the swindler by some of our party and government organs, financial and commercial departments, traffic departments, customs areas, and political and legal departments, and some of our party and government institutions, which even became the working bodies of the swindler, are strange types of service. What a shocking farce! What people cannot understand is that some cadres were very enthusiastic in following the "leftist" line and despised those who have relatives in Taiwan, Hong Kong, or foreign countries in the past, but now they have an insatiable desire for these relations and try in every way to make connections with people who have these relations. This is why they so easily got hooked. In the whole farce of "Du, the god of fortune," the cadres who were fooled and engaged in criminal activities only played a minor role. However, without the cooperation of those cadres, Du Guozhen, who played a leading role in the farce, would not have had such great magic power. In a certain sense, the "role" played by those who played a minor role in the farce overshadowed the "role" played by the leader in the farce.

Can we say that these cadres were fooled or participated in the illegal activities due to "bureaucratism" or "lack of experience"? Serious bureaucratism, lack of vigilance against criminals, and lack of experience were certainly causes, but these are not all. "Du, the god of fortune" presented large sums of money and high quality consumer goods to the cadres and the cadres gladly accepted them, and these things later became their private property. Can we say that this was caused by "bureaucratism" and "lack of experience"? They lack the concept of discipline, a concept of the legal system, and the concept of serving the people wholeheartedly, which all party members and government cadres should have. So it is more appropriate to say that they "sought private gain by making use of their power."

Our socialist China is, after all, not a paradise for adventurers. How can the strong people's democratic dictatorship tolerate a handful of demons who fan the flames of disorder! "Du, the god of fortune" and other swindlers and offenders in economic crimes have been or will be inevitably exposed and punished according to the law. In 1982, Comrade Peng Xiaoping pointed out: "We must have dual tactics: One is to stick to the policy of opening up to the outside world and invigorating the domestic economy, and the other is to resolutely crack down on economic crimes." He has repeatedly stressed: "The struggle to crack down on economic crimes is based on our adhering to the socialist road and realizing the four modernizations. This is a constant struggle and task." At present, the situation of the reform and opening up to the outside world is very good, but some localities have relaxed their struggle of cracking down on the offenders of economic crimes. The leading organs at various levels must continue to increase their understanding of the importance of carrying out this struggle, must not carry out one tactic while forgetting the other, must not take the struggle of cracking down on economic crimes as a temporary matter, must not care about personal relationships and ignore principles, and must observe the law and strictly implement it.

The career rise and the consequent arrest of "Du, the god of fortune" is a powerful example that may serve as a lesson. Although a shocking farce has ended, it has left people thinking:

Are there still any swindlers like Du Guozhen in our country?

Are there still any farces like this one in our country?

Are there any people who are being cheated by swindlers but are, at the same time, shamefully helping the swindlers?

Are there any loopholes in our work of which swindlers can avail themselves?

#### CIRCULAR STRESSES PUBLIC ORDER IN PORT CITIES

0W041150 Beijing XINHUA Domestic Service in Chinese 0217 GMT 3 Jan 86

[Text] Beijing, 3 Jan (XINHUA) -- The Ministries of Public Security and Communications recently issued a joint circular, calling on coastal port cities to consolidate public order and concentrate efforts on combating existing crimes and negative social phenomena in order to improve the public order of all port cities throughout the country.

The circular said: Along with further opening the coastal ports to the outside world over the recent years, more and more foreign vessels and tourists have visited Chinese ports. The public order in the coastal port cities is, in general, good; however, new problems have also cropped up in the course of opening to the outside world. Due to backward administrative work and the influence of decadent capitalist ideas and lifestyle, negative social phenomena that once were eliminated have now reemerged and have been spreading.

The circular called on all localities to increase supervision over the security of public places in port cities, and urged each department concerned to set up a strict management system, or improve the system, in accordance with relevant regulations concerning seamen's clubs, dance halls, guesthouses, and taxis. Public security organs should intensify their supervision and inspection over these places, and organize patrolling and joint prevention of crimes in order to earnestly investigate any illegal activity and severely punish, in accordance with the law any criminal once discovered. It is necessary to hold responsible leaders of public places who have made convenient, connived at, or shielded criminal activities, or even order them to suspend business for rectification or shut them down.

The circular pointed out: Departments concerned in all ports should publicize Chinese laws and relevant security regulations among foreign seamen in order to enable them to familiarize themselves with and abide by the laws. Foreigners who have violated Chinese law should be punished according to law and given economic sanctions. Criminal liability should be affixed to those who have violated the criminal law.

The circular also called on all port authorities to strengthen the education on the legal system among staff and workers, as well as the supervision over personnel working for foreign vessels. In order to reinforce discipline concerning foreign liaison affairs, it is also necessary to teach the large number of staff and workers conscientiously to abide by law and discipline, safeguard the motherland's honor by refraining from doing things damaging to national or individual dignity, and earnestly maintain good public order in port cities.

In conclusion, the circular said: All coastal port cities should, under the leadership of local party committees and governments, cooperate with departments concerned in taking concerted action to turn the coastal port cities into showcases of socialist spiritual civilization.

#### HU YAOBANG INSPECTS GUANGDONG'S MAOMING CITY

HK040557 Guangzhou Guangdong Provincial Service in Mandarin 0400 GMT 4 Jan 86

[Text] CPC Central Committee General Secretary Hu Yaobang, accompanied by Guangdong Provincial CPC Committee Secretary Lin Ruo, inspected Maoming City on 1 and 2 January. On the morning of 2 January, General Secretary Hu Yaobang enthusiastically wrote the inscription "New outlook in the new year" in the meeting room of the city CPC Committee. He urged the cadres and workers of the city to make more contributions to developing China's oil refining and chemical industry, and urged the people of the mountain areas to exploit fully and use the land, mountains, and waters to develop commodity production and get rich through hard work.

On the afternoon of 1 January, Comrade Hu Yaobang visited the cadres and workers of the Maoming Petroleum Industry Company and asked about the state of oil processing in the company. He shook hands with the workers and extended greetings to them in the hydrocracking workshop. He watched them at work and praised their achievements. He urged the cadres and workers to work hard to master advanced modern technology so as to make more contributions to developing the oil and chemical industries.

On 2 January, General Secretary Hu visited the two mountainous counties of Gaozhou and Xinyi and held a forum with the cadres. He repeatedly praised the work of Gaozhou County in using its mountains to promote diversification. He said: All mountain areas in the country should develop industrial crops.

#### HU YAOBANG VISITS GUANGDONG MOUNTAIN AREAS

HK050148 Guangzhou Guangdong Provincial Service in Mandarin 1000 GMT 4 Jan 86

[Text] Following his inspection tour of Maoming City, Hu Yaobang, general secretary of the CPC Central Committee, arrived at Zhaoqing Prefecture on 3 January. Comrade Hu Yaobang inspected work in Luoding County, Yunfu County, and Zhaoqing City. He listened to reports given by prefectoral CPC Committee Secretary Huang Rongxin and responsible comrades of the city and counties. During his stay in Yunfu, the responsible comrades of the county gave an account of the advanced technology and equipment imported to develop marble production.

They also explained to Comrade Hu Yaobang the development of the county's building materials industry. Hu Yaobang personally went to the Yunfu openpit iron mine to get first hand information about the mine's ore resources and production, and to extend his regards to the miners working in the forefront.

Hu Yaobang arrived at Zhaoqing City, a place well-known at home and abroad for its Qixing Caves. He climbed Bohai Tower and discussed questions concerning the development of tourism in Guangdong with the responsible comrades of the province, prefecture, and city.

While in the mountainous areas in western Guangdong, Comrade Hu Yaobang discussed questions concerning the development of the economy of the mountainous areas with the cadres at various levels. He expressed satisfaction with the achievements made by some counties of western Guangdong in developing their economy. He said that industrial crops can be developed in the mountainous areas throughout the country. In the northern areas, the industrial crops that can be developed include walnuts, haw, and medical herbs. I said 5 years ago that we should not put undue stress on cultivated land. We should take into account the total area, which includes farmland, soil, mountains, and water. We should make full use of all factors. The general secretary's remarks enlightened the cadres at all levels. They expressed their determination to use their brains and further develop the economy of the mountainous areas.

#### HU YAOBANG TALK ON RURAL WORK POLICY REPRINTED

OW070217 Beijing Domestic Service in Mandarin 1200 GMT 4 Jan 86

[Text] NONGCUN GONGZUO TONGXUN [RURAL WORK NEWS], which will be off the press tomorrow, carries an article on rural work policy by Hu Yaobang, general secretary of the CPC Central Committee. The article, which is a part of a talk by Comrade Hu Yaobang at a report meeting held in Baoding Prefecture, Hebei, on 5 January last year, made a brilliant exposition on village and town enterprises, reform of the rural production structure, and on how to bring about changes in the nation's appearance.

In reforming the rural production structure, Comrade Hu Yaobang emphatically pointed out the need to integrate planting, breeding, and processing into a coordinated process. He said: Rural production begins with planting. Grain planting comes first. We should not neglect the production of either staple food grain or nonstaple food grain. The output of both should be increased. Then comes the planting of industrial crops, which also should not be neglected. The intermediate link in the process is the breeding industry. Convert as much as possible of the harvested crops into feed for hogs, oxen, sheep, and poultry. The last link in the process is a rural industry for processing farm produce, livestock, and poultry into various commodities. Thus a coordinated process is formed linking planting, breeding, and processing.

Comrade Hu Yaobang pointed out that in some developed countries, when their economy has developed to a certain degree, few of their people are willing to engage in planting and breeding, thereby causing their agriculture to shrink. We should draw a lesson from their experience.

Touching on the development of forestry and other undertakings, Comrade Hu Yaobang said: By the appearance of a nation, we mean three things: first, the appearance of its people; second, the appearance of its cities and towns; and third, the appearance of its natural environment. But, currently, the most important question is what we must do to improve the appearance of our natural environment. Without solving the problem of afforestation, we cannot be expected to change either the appearance of our natural environment or that of the entire nation.

He pointed out: The circle of afforestation is big and its benefits are slow in coming. With the improvement in our financial situation, we must allocate some funds to support afforestation with industry. Concerning the question of improving the nation's appearance by greening the land, Comrade Hu Yaobang proposed to simultaneously plant arbors, shrubs, and grass and to pay equal attention to cultivating timber, orchards, and medicinal herbs.

LIAOWANG COMMENTATOR ON PRESENT RURAL SITUATION

HK070316 Beijing LIAOWANG in Chinese No 51, 23 Dec 85 p 4

[LIAOWANG commentator's article: "The Rural Situation in China Today"]

[Text] What is the rural situation in China today? According to the message conveyed by the national conference on rural work, held once a year, the present situation can be summed up in a word: Good! This is the consensus reached by experts on rural problems from various parts of the country, leading cadres in charge of rural economic work from various provinces, prefectures and counties, and experts and scholars in various fields after conscientious discussions.

China's rural work in 1985 has been carried out under the following conditions: Several regions suffered heavy losses because of severe floods and windstorms; efforts have been made to start readjusting rural industrial set-ups, and the second stage of rural economic reform has been carried out simultaneously with the urban economic reform. All this has made this year's rural work complicated to a certain extent. However, the rural situation is good as a whole. Let us look at the following facts:

-- There is still a good harvest in agricultural production, and peasants have continued to increase their incomes.

-- An important step has been made in readjusting rural industrial set-ups. The output of various industrial crops and production of various undertakings has increased by a fairly big margin except grain and cotton.

-- After the reform of the purchase and sales system, there are more channels for commodity circulation, more flexible management methods have been adopted, and the scale of circulation has been expanded. Various kinds of contract responsibility systems based on output have been further improved and enhanced. There is a new development in socialized service.

-- Enterprises run by towns and townships have been developing very rapidly. A cumulative total of more than 60 million surplus labor force has been shifted to industry and commerce. It is expected that the output value of enterprises run by towns and townships will reach more than 200 billion yuan, which will occupy an important position in the total output value of industry and agriculture throughout the country.

-- Town and township enterprises run by peasants have speeded up the construction of small cities and towns and accelerated the modernization process of the rural area.

In a word, China's agriculture has made a new step in the course of progressing from the natural economy to the commodity economy. A new situation of all-round development in farming, forestry animal husbandry, sideline occupations and fisheries and in the systematic management of agriculture and industry has occurred in many regions.

The output of grain and cotton has dropped slightly throughout the country this year. However, we should make a specific analysis of this. This year we have reduced the acreage under cotton and cotton output in a planned way. At present, the state still has a fairly large stock of cotton. Slightly reducing it will be beneficial to the state and peasants. Compared with last year, it is estimated that this year's grain output will be reduced by 50 billion jin. This is because: 1) There truly have been severe natural calamities this year. Bumper harvests that some localities were expected to reap came to nothing. 2) Through the readjustment of production set-ups, some farmland has been used to promote forestry and animal husbandry, and the acreage under grain has been reduced. It is normal to do this on the whole. 3) Some localities have slackened their management, and pursued a crude and careless style of administration. There have been some problems in their work. However, the situation in grain production should not be assessed by the production of 1 year alone. It should be judged by whether there has been a fairly large average increase over several years. Our country has reaped a bumper grain harvest for 6 years in succession with an average annual increase of 34 billion jin. Although our grain output has dropped this year, the total grain output will not be lower than that of 1982, a bumper harvest year. At present, the state has an ample stock of grain, and peasants still have some surplus grain. The market supply of grain can be fully ensured. In a small number of regions, grain might be in rather short supply. However, as long as we do well in redistributing grain, this problem can be solved.

Of course, there are some problems that merit our attention. These problems are: In the course of readjusting industrial set-ups, some localities have failed to pay sufficient attention to proceeding from actual conditions. They have gone too fast. Too much land has been occupied for capital construction and building houses for peasants. In some localities, the gap between the income from grain production and that from industrial and sideline production is too big. The prices of the means of production have gone up, and the burden on peasants who grow grain is too heavy, and so on. All this is detrimental to the peasants' enthusiasm for farming. In some other localities, the peasants' difficulties in selling grain have not yet been solved. All these problems should be conscientiously studied and solved.

In a word, the rural situation in China today should be judged not only by the situation in grain production, but also by the rural economic situation as a whole. We should not confine our judgment to the rural situation alone. Instead we should link it with the situation in the national economy as a whole. In this way, we will clearly see that the present situation is truly good. It is appropriate to say that we have found a path for building the socialist rural area through reform. Our present achievements have mainly come from reform. Our progress tomorrow also relies on reform and the constant self-improvement of the socialist system. We should fully affirm the achievements that we have made. We should have a firm determination. With regard to problems occurring on our path of advancement, we should look them in the face and solve them. In so doing, we will be able to promote rural economic reform along the correct path.

#### REFORM HELPS RURAL ENTERPRISE DEVELOPMENT

OW061148 Beijing XINHUA Domestic Service in Chinese 0147 GMT 1 Jan 86

[Text] Beijing, 1 Jan (XINHUA) -- Rural economic reforms have given strong impetus to the vigorous development of village and town enterprises. According to data provided by the Bureau of Village and Town Enterprises under the Ministry of Agriculture, Animal Husbandry, and Fishery, the total output value of village and town enterprises in China is expected to reach 230 billion yuan in 1985, up more than 59 billion yuan from the previous year, representing an increase of some 35 percent. Village and town enterprises have become the mainstay of the rural economy.

In recent years, following the steady development of rural economic reforms, village and town enterprises, which are suitable for peasants to run and which have promoted their prosperity, have flourished in their own peculiar ways, making lasting contributions to the rural economy as a whole.

Village and town enterprises have absorbed a lot of rural surplus labor. At present, more than 6 million village and town enterprises have absorbed some 60 million peasants, converting them from small producers to a new type of commodity producer possessing specific production skills and specialized knowledge. Engaged in the processing of agricultural and sideline products; building materials, communications, and energy industries; and the service trade; these peasants have adopted the concepts of modern civilization, have learned to utilize economic information, and have acquired production skills. More and more of them have become traders, technicians, engineers, and accountants. Thanks to their efforts, the quality of the whole peasant ranks has improved.

In the way that agriculture is supplemented by industry, village and town enterprises have provided large amounts of funds for agricultural development. In 1984 alone, the funds used in agricultural production and construction amounted to 660 million yuan and those used in allocating farm workers totaled 640 million yuan. The ever-increasing input into agriculture by village and town enterprises is extremely significant to the stability and development of China's agricultural production.

The development of village and town enterprises has made China's countryside "the rear area" for urban industry. Several urban industries, such as clothing, home electrical appliances, foodstuffs, and textiles, have now established strong processing bases in village and town enterprises. In addition, village and town enterprises have undertaken to process and produce quite a number of export commodities. As a result, people usually fail to distinguish between urban and rural areas in those places where village and town enterprises are relatively developed.

In order to maintain the momentum with which village and town enterprises are growing, various localities are readjusting the speed and scope of development, the types of business and products, and the technical structures of some enterprises in accordance with local conditions and actual needs, so that these enterprises will be able to overcome their shortcomings and bring out their strong points and develop more steadily and soundly.

RENMIN RIBAO COMMENTATOR ON DEVELOPING AQUICULTURE

HK061031 Beijing RENMIN RIBAO in Chinese 28 Dec 85 p 2

[Commentator's article: "Seashores Have Great Potential"]

[Text] At the current national conference on sea aquiculture work, more than 10 advanced counties and districts outlined their successful experiences. From their experiences we can see that the local leadership's full understanding of sea aquiculture work is the key to the rapid development of seashores and shallow seas. Now, some localities that have rich sea resources are not developing their seashores and shallow seas effectively. The main reason for this is that their leaders have not realized the significance of this work, and remain shortsighted in this regard.

The development of sea aquiculture in coastal areas will achieve good economic results and does not need any farmland. For example, a shrimp farm of 1 mu will yield a net profit of 400 to 500 yuan a year; and the cultivation of mollusks and algae also are profitable undertakings.

In recent years, many townships, villages, and households have become wealthy through aquiculture. Their successes furnish strong evidence. If a locality has the resources and conditions to develop this profitable undertaking, why should it not immediately take action to develop sea aquiculture?

The development of sea aquiculture is a necessary step to improving the people's livelihood. At present, the supply of aquatic products falls far short of meeting the people's demands. Many aquatic products, such as fish, shrimp, and mollusks that people like to eat, are in short supply. Some high-class hotels in large cities have to import quality aquatic products from abroad. This state of affairs should not continue.

Many sea aquatic products can be exported to earn foreign exchange. For example, prawns, groupers, laver, and various mollusks sell especially well on overseas markets. The export of 1 ton of large prawns will earn an amount of foreign exchange equal to that earned by the export of 83 tons of rice. At present, we have 14 open cities and 4 special economic zones in the coastal areas. We should make full use of all favorable conditions to produce more famous, specialty aquatic products of good quality for export so as to increase our country's foreign exchange income.

In addition, the development of sea aquiculture is the main way to double and redouble the output value of the fishery industry. The party central leadership has set forth a target of quadrupling the output and output value of all sorts of aquatic products by the end of this century. The development of sea aquiculture will play a leading role in achieving this target. The development of sea aquiculture will provide jobs not only for the surplus labor force in coastal areas, but will also attract some fishermen to operate aquatic farms in their home villages or shift to other trades related to sea aquiculture. This will be favorable to the reasonable restructuring of our fishery production and will reduce the labor intensity in the fishery industry. It will also help protect offshore marine resources. In a word, the development of sea aquiculture is of great significance for promoting the comprehensive development of the whole aquatic products industry.

Now we have great potential in the development of sea aquiculture. There is a total of 16 million mu of undeveloped shallow seas that can be used for this purpose. With the development of our technology and economic strength, we will develop more seashores and shallow seas to conduct aquiculture, and will increase the output of the existing aquatic farms. We believe that all party and government leading bodies in coastal areas and all aquiculture workers will continue to make efforts to develop their undertakings during the Seventh 5-Year Plan period so as to bring greater benefit to the people and to future generations.

#### XINHUA COMMENTATOR ON SUPPORT OF AGRICULTURE

OW040623 Beijing XINHUA Domestic Service in Chinese 0111 GMT 2 Jan 86

[XINHUA commentator's article: "Subsidize Agriculture With Industry To Effect a Balanced Development of Industry and Agriculture"]

[Text] Beijing, 2 Jan (XINHUA) -- In recent years the peasants in some rural areas in China have shown less enthusiasm for grain production because in these rural areas, where the economy is developed due to the fast growth of town and village enterprises there, income from growing grain is less than that earned from operating an industrial, sideline, or tertiary business. This necessitates countermeasures to raise the peasants enthusiasm for grain production by subsidizing agriculture with industry.

Under the current conditions when proper arrangements for the price system have not been completed, there is a relatively practicable and effective way to deal with the situation in addition to such measures as an appropriate increase in state investment, a reasonable readjustment in the contracted purchase of grain, and the practice of the principle of preference for such contracts. The basis of this countermeasure is to offer a reasonable subsidy to those peasants who produce and sell grain to the state by requiring the town and village enterprises to support agriculture with subsidies. This means the local industrial and sideline enterprises will contribute a portion of their income to subsidize agriculture so that the profits made by those engaging in industry and sideline production and those made by the people working for agriculture and grain production will be readjusted.

Some people are worried that the development of industry and sideline occupations will be affected and that the development of town and village enterprises will be affected if industry and sideline occupations are required to subsidize and support agriculture. This concern is unwarranted. One must see the relationship of mutual promotion and mutual assistance between the two. When town and village enterprises are developed and can contribute some money to increase the investment in grain production, the development of grain production will be accelerated. When agriculture is developed, when grain production is developed, and when still more grain can be provided to the people working for industrial and sideline production and still more raw materials and even labor to the town and village enterprises, it will, in turn, create good conditions for the further development of these rural enterprises. A simple fact can illustrate this reasoning: In recent years a labor force of tens of millions of people in the rural areas of China has shifted to nonagricultural departments. This would not have been possible without one condition and that is the increase in grain production. This shows that subsidizing and supporting agriculture with industry and sideline occupations will benefit not just agriculture. The rural enterprises themselves will be benefited also. Fundamentally speaking, to subsidize and support agriculture with industry and sideline occupations is an approach to place industry and sideline occupations and agriculture in proper positions relative to each other and bring about a balanced development of the two. When he was on an inspection and study tour in Henan Province recently, Comrade Zhao Ziyang emphatically pointed out that, judging from the development trend, China's rural areas cannot do without finding a local solution to the question of subsidizing and supporting agriculture with industry and sideline occupations.

Subsidies and support for agriculture can be offered in diversified ways according to the local conditions. Based on the practice in some localities, they can be offered mainly in two ways. One is to proceed from the point of view of distributing the money directly to the people engaging in farming and grain production to compensate them for the difference in their incomes and that of those working in industrial and sideline production. People refer to this as a "blood transfusion" subsidy. This kind of subsidy cannot change the conditions of agricultural production. It cannot raise the peasants' enthusiasm for grain production. All it can accomplish is stabilizing the number of people engaged in agriculture and grain production. It is not a desirable method in the long-term view. The other way is to proceed from the point of view of production and use the subsidies mainly for the purpose of improving the conditions for agricultural production, of popularizing and applying new farming techniques, of developing socialized service before and after production and of developing rural intellectual power. People refer to this as "blood-making" subsidy. This kind of subsidy brings about an increase in the income of grain-growing peasants and a stable and sustained development in agricultural production. Obviously, this is the kind of method worthy of popularization.

As far as the majority of the localities across the country are concerned, they should pursue a long-term policy to subsidize and support agriculture with industry and sideline occupations, support plant-growing with industry and sideline occupations, and support grain crops with cash crops. As a matter of fact, this is the road we have been following over the past few years. Guided by this policy, we will surely be able to raise the peasants enthusiasm for grain production and balance the development of industry and agriculture.

#### FOOD VARIETY INCREASES; PRICES RISE IN BEIJING

OW040800 Beijing XINHUA in English 0643 GMT 4 Jan 86

[Text] Beijing, January 4 (XINHUA correspondent Yang Jigang) -- More fresh fish, meat and vegetables have been on sale at city markets since the state relaxed price controls last spring.

Fish, for example, was seldom available at major markets in Beijing a year ago. But now it is sold at many small food stores.

More varieties of fresh meat can now be bought by families who only had frozen pork in the past.

And despite the winter's slack growing season, many vegetables, such as cabbages, potatoes, spinach, celery, leeks, carrots, green chillies, tomatoes and cucumbers, are still in sufficient supply. Many of them are fresh and tender.

Before the price reforms, purchasing and selling of major food and agricultural sideline products, including grain, edible oils and fruit, had been mainly controlled by the state. Now, producers can sell their goods to the state or on the open market.

This has promoted the development of nonstaple foodstuffs, added variety to market places, improved quality and helped to ensure regular supplies.

According to statistics from commercial departments, farmers raised more pigs in most provinces, municipalities and autonomous regions last year because the pig purchasing price rose by 30 percent.

Figures from Wuhan, Hangzhou, Shanghai, Tianjin and other big cities show that the variety of vegetables increased from 20 to 40 and the quantity almost doubled after the state relaxes price controls.

Farmers and pedlars are now competing with state-and collectively-run vegetable shops.

In Beijing, it is estimated that 10,000 peddlers are selling vegetables on streets and in residential areas. This has made shopping much more convenient.

However, the change has also pushed up proces, which has led to complaints from urban residents. In most medium and smaller cities, the prices of meat, fish and vegetables rose moderately, but in a few big cities, prices went up considerably.

The retail price of pork, a major part of the Chinese diet, rose by nearly 30 percent in Beijing, but remained within the state's price guidelines, which were drawn up after taking into account the original price and the monthly subsidies given to every consumer to offset the increases.

When price controls on vegetables were first lifted, the retail prices soared by alarming degrees.

This was largely attributed to inadequate preparations. The state vegetable companies suddenly found themselves without ample supplies, and the peddlers took control of the market for a limited period.

The situation has been improved as state companies have organized themselves and acquired supplies. But vegetable prices are not expected to settle at reasonable levels for some time, because the number of vegetable fields has been cut in many city suburbs.

Although the prices of pork, fish and vegetables have risen, other essentials, such as grain and edible oils, cost about the same.

A sample survey shows that a large portion of the increased food bill has been offset by wage rises and bonuses as well as by the monthly price subsidies.

#### 1985 FALL, WINTER SOWING SUCCESSFULLY COMPLETED

OW061317 Beijing XINHUA Domestic Service in Chinese 0206 GMT 1 Jan 86

[By reporter Zhou Yichang]

[Text] Beijing, 1 Jan (XINHUA) -- By persistently carrying out the second-stage reform and continuing to readjust the production setup in the rural areas, China successfully completed its autumn and winter sowing in 1985. At present, the overwintering crops are growing promisingly.

According to statistics from 24 provinces, autonomous regions, and municipalities, the area of autumn and winter grain crops in China totaled more than 440 million mu in 1985, nearly 8 million mu more than in 1984. The total area of rape was some 73 million mu, up some 8.4 million mu, and the total area of green manure was more than 70 million mu, an increase of some 1 million mu.

In 1985, China achieved gratifying results in drastically readjusting the production setup in rural areas. It reaped all-around bumper harvests of all crops except for grain and cotton, whose output decreased. Both total agricultural output value and peasant income are estimated to have further increased in 1985 as compared with 1984. Before the 1985 autumn and winter sowing started, most provinces, autonomous regions, and municipalities held special meetings to sum up experience in reforming the unified and fixed state purchase system and readjusting the production setup, and to make arrangements for the autumn and winter sowing. In 1985, Hebei, Shandong, and Henan Provinces made the most extensive adjustments in crop cultivation. In the course of the autumn and winter sowing, they made readjustments on the basis of local conditions and increased the area of grain cultivation, mainly of wheat, by some 7 million mu, while reducing the land reserved for cotton. Guangxi Region and Guangdong, Fujian, and Guizhou Provinces, which are not self-sufficient in grain, properly increased their grain area by more than 2 million mu in the course of autumn and winter sowing. In Jiangsu, Zhejiang, and Shanghai, where economic development is faster and transportation is more adequate than in other provinces, the area of autumn and winter grain continued to decrease, while the area of rape continued to increase.

In the course of making arrangements for autumn and winter sowing, the various localities generally signed contracts to have orders placed with the peasants ahead of time. Some provinces such as Shandong, Sichuan, and Zhejiang linked fertilizer and diesel oil supply with grain purchase to encourage peasants to grow more grain and deliver more grain to the state.

Some localities took other effective measures to help peasants in autumn and winter sowing, such as making cash deposits for orders, selling chemical fertilizer or seeds on credit, and reducing or remitting plowing, sowing, or moisture preservation fees. Therefore, a better foundation was laid for the 1985 autumn and winter sowing, with an ample supply of base manure and increased use of cake fertilizer and chemical fertilizer. In the cotton-producing region of Shandong, more than 60 percent of the winter wheat fields were fertilized with cake fertilizer, averaging more than 80 jin per mu, and the wheat was sown well. In Henan Province, where the wheat area is the largest in China, 85 percent of the wheat was sown in good time, more than 60 percent of the wheat was sown by using drug-treated seeds, and the area of crops of superior quality increased over previous years. In the eastern and southern parts of Gansu Province, where wheat tends to suffer seriously from rust disease, the area of rust-resistant varieties of winter wheat increased 77 percent in 1985 as compared with 1984, and accounted for 74 percent of the total winter wheat area. At present, many of the localities tend the crops by watering them and applying additional fertilizer to enable them to survive the winter.

#### BETTER SEED VARIETIES BOOST AGRICULTURAL OUTPUT

HK040906 Beijing CHINA DAILY in English 4 Jan 86 p 2

[Text] In an effort to reap agriculture's full potential, China is making efforts to introduce and popularize better seed strains during the Seventh Five-Year Plan (1986-1990).

The country plans to increase the national grain harvest by 16.5 million tons through the introduction of fine strains of seeds over the next five years, according to an article in the newspaper ECONOMIC INFORMATION.

To achieve this goal, the area devoted to better strains will grow to more than 26.6 million hectares.

The country also plans to increase the cotton crop by 250,000 ginned tons planting new and better strains over more than 2.6 million hectares and good quality seeds over more than 1.3 million hectares.

ECONOMIC INFORMATION said that the China National Seed Corporation would help to popularize better strains of edible oil, sugar and other cash crops.

In a bid to meet the demand for seeds in the country's vast countryside, seed producers expect to produce 15 million tons of seeds by 1990. To do so, that area for growing seeds will be doubled to more than 4.6 million hectares, accounting for 5 percent of the country's total arable land.

As state farms have the best facilities, they will be the biggest producers of high quality seeds. However, specialized households and small-scale farmers are also encouraged to produce seeds.

It will be unnecessary for farmers to build up their own seed stock by the turn of the century, as seed production distribution will be organized in a rational and planned way. By then, seed production will be specialized, seed processing mechanized, quality seed standardized and varieties regionalized.

The China National Seed Corporation also handles seeds for export. It has established trade relations with more than 100 firms in more than 30 countries.

The corporation mainly exports vegetable seeds and a small amount of grain and edible oil seeds to the United States, Japan and European countries. Seeds for export include Chinese cabbage, Beijing turnip, cucumber, kidney beans and garlic. Japan annually imports more than 100 tons of Chinese milk vetch seed from Henan Province.

The seed corporation has also signed exclusive contracts with some foreign firms to market Chinese seeds on the world market.

The corporation has been selling hybrid rice seed and growing techniques to the Occidental Petroleum Corporation of the United States for the last four years.

More than 2,000 seed companies have been set up in the last few years at provincial, prefecture, and county level employing more than 50,000 staff. In 1984, these companies marketed 1.25 million tons of rice, wheat, cotton, soybean and rape seed. They also helped distribute 2.25 million tons of better strains of seeds among village farmers.

#### OFFICIAL DISCUSSES ECONOMIC REFORM PRINCIPLES

HK070253 Beijing ZHONGGUO XINWEN SHE in Chinese 1219 GMT 3 Jan 86

[Report: "He Guanghui Speaks on Principles Governing China's Economic Reforms in 1986"  
-- ZHONGGUO XINWEN SHE headline]

[Text] Beijing, 3 Jan (ZHONGGUO XINWEN SHE) -- According to a report by HUASHENG BAO, He Guanghui, deputy director of the State Economic Structural Reform Commission, recently said at a meeting that China's reforms in 1986 will be brought into line with the principles for stabilizing the economy. He said that reform measures will be studied and will not be put into practice recklessly. In particular, the policy on prices will be set very carefully, and no major reform measures in this regard will be taken. Greater advances will be made in the aspect of invigorating large and medium-sized enterprises and developing horizontal economic ties.

Mr He Guanghui said: That reform measures in 1986 must be favorable to the stability of the economy. In order to ensure economic stability, some measures can be put into practice, but others have to be put aside. For example, measures that will cause social competition in the field of distribution should not be put into practice, and those that may throw the overall economic situation out of control should be handled very prudently. Reform measures that have been put into practice should be consolidated, perfected, and readjusted so as to rectify shortcomings and bring their advantages into better play. Cities that are carrying out pilot projects in economic reforms should continue their explorations and experiments. They should concentrate on studying prominent problems in economic life and collect accurate and detailed information to work out feasible solutions. Priority should be given to the development of markets for producer goods, to the establishment of a more reasonable distribution system inside enterprises, and overcoming unfair distribution in society.

On prices, Mr He said that as the most important thing in this regard is stability; there will be no dramatic reform measures in the coming year. Unreasonable price parities between products of different industries will be readjusted appropriately, but this also will be done very carefully.

DEFENSE INDUSTRY RESTRUCTURES PRODUCTION

OW070329 Beijing Domestic Service in Mandarin 1200 GMT 4 Jan 86

[Text] During the Sixth 5-Year Plan, China's science, technology, and industrial departments for national defense completed more than 490 major research projects and won more than 12,000 scientific and technological prizes of various kinds. During that same period, the total output value of military items and items for civilian consumption produced by these departments exceeded the planned targets by 34.4 percent. In this best period since the founding of the People's Republic, defense production tasks were fulfilled in the best possible manner and the highest number of research results were achieved.

During the Sixth 5-Year Plan, the National Defense Science, Technology, and Industry Commission organized the various defense departments and consumers to put in order and readjust weapons and equipment research and production plans that further raised the level of weapons research and production. Some of the items in the readjusted plan filled in gaps in China's weapons and equipment research and production. Particularly noteworthy were the major breakthroughs in strategic weapons and space technology. During the Sixth 5-Year Plan, China's research and production of weapons and equipment went through important changes from the imitating stage to self-reliance.

During the Sixth 5-Year Plan, China's science, technology, and industry system for national defense also succeeded in changing its former irrational structure of exclusively producing military items. At present, the military industrial departments have built more than 400 production lines producing more than 300 kinds of items for civilian consumption. In 1985, the output of items for civilian consumption produced by China's defense industry department quadrupled that of 1980.

WEAPONS FACTORIES TO PRODUCE MORE CIVILIAN GOODS

HK040856 Beijing CHINA DAILY in English 4 Jan 86 p 1

[By Zhu Ling]

[Text] The Ministry of Ordnance is ordering all its weapon factories to switch part of their manufacturing capacity to civilian production without any exceptions no matter how heavy the military commitments might be.

The order was issued by Minister of Ordnance Zou Jiahua as part of a continuing effort to adapt defence technology to domestic and international markets.

The order came simultaneously with the announcement in Beijing that the Chinese military industries' first technology trade fair will be held in April in Shenzhen, Guangdong Province.

According to XINHUA, more than 1,000 items of technology turned out by the military industries for civilian use in recent years will be on display, including 130 which have won national awards for their high level of scientific advancement.

Foreign businesses will be invited to view the technologies and to bring along their own products to show to Chinese buyers. Last year, sales at two similar fairs held for Chinese enterprises brought in 700 million yuan.

Referring to the order for weapons factories to switch to civilian production, the minister said: "It is a long-term policy of strategic importance for us to carry out combined production of both military and civilian products."

Such a two-pronged approach is expected to be implemented in all weapon factories within five years, Zou, who took office last June, told CHINA DAILY in an interview yesterday.

The "walking-on-two-legs" policy will mean that all armament factories can survive and prosper even if their military orders drop, he said.

"The top priorities for our civilian production in 1986 are on transportation, energy, telecommunications and building materials, all key sectors of the nation's economic development," the 59-year-old minister said.

"Of course," he added, "our major task is to produce and supply advanced and high-quality weapons for military forces. But we are determined to stick to the long-term policy of a combined production laid out by our party Central Committee," he said.

The policy is now being more fully implemented at a time when China is girding for a rapid and full-fledged economic development during the Seventh Five-Year Plan period (1986-1990).

Last year, Zou said, the production value of the ministry's civilian sector reached 2 billion yuan, an increase of 51.5 percent over 1984. "Our target for this year is a further 50 percent increase," he said.

In 1985, the ministry's weapon factories turned out 500,000 motorcycles, two-thirds of the country's total. They produced 250,000 cameras, 100,000 refrigerators, 450,000 bicycles and 7,000 additional vehicles of various kinds.

Last year, the ministry's exports of civilian goods reached \$6 million, an increase of 13 percent over 1984, Zou said. Its products were sold in 24 countries.

This year, Zou disclosed, the ministry's investment for civilian production would increase "by a big margin," and the money will be used mainly for the development of new models of vehicles, motorcycles and cameras as well as for the production of air-conditioners and packaging equipment.

#### KEY BUILDING-MATERIAL TARGETS FULFILLED

0W061316 Beijing Domestic Service in Mandarin 1200 GMT 31 Dec 85

[Text] China has fulfilled or overfulfilled the Sixth 5-Year Plan production targets for major products of its building material industry.

Among them, the projected output of cement is 550 million metric tons, representing an annual average increase of 11 percent; that of plate glass, more than 210 million standard cases, representing an annual average increase of 14 percent; and that of ceramic toilet fixtures, more than 29 million pieces, representing an annual average increase of 9 percent.

The output of cement is expected to surpass 140 million metric tons and that of plate glass will top 55 million standard cases for 1985.

CHEMICAL CORPORATION FOREIGN TRADE INCREASES

OW061040 Beijing XINHUA in English 1031 GMT 6 Jan 86

[Text] Beijing, January 6 (XINHUA) -- The foreign trade volume of China National Chemicals Import and Export Corporation last year reached 10.9 billion U.S. dollars, Zheng Dunxun, general manager of the corporation said here today.

Speaking at a national meeting, Zheng said that last year's export volume totalled 7.4 billion U.S. dollars and imports amounted to 3.5 billion U.S. dollars.

Set up in 1950, the corporation manages the import and export of crude oil, petroleum products, fertilizer, and natural rubber.

Over the last 35 years, it has become the largest company in terms of trade volume among all the Chinese foreign trade corporations, with more than 700 varieties of export products. It has built up an efficient system geared at providing good service to industries and end users and has developed trade relations with more than 130 countries and regions.

This year, Zheng said, the corporation will further improve its service and management and make full use of various connections to develop new trade relations with leading figures in world petroleum and chemical trade circles.

RECORD FOR ANNUAL CRUDE OIL PRODUCTION REPORTED

HK060857 Beijing ZHONGGUO XINWEN SHE in Chinese 1341 GMT 30 Dec 85

[Text] Beijing, 30 Dec (ZHONGGUO XINWEN SHE) -- According to what this reporter learned today from the Ministry of Petroleum Industry, by 29 December China had produced 124.06 million tons of crude oil this year, overfulfilling the annual plan by 60,000 tons 2 days in advance. This has broken the record for China's crude oil annual output.

Since 1978, China's annual output of crude oil has exceeded 100 million tons for 8 years in succession. The output this year is expected to show an increase of 10 million tons over 1984. Over the past 2 years, the oil fields at Daqing, Shengli, Liaohe, and Zhongyuan have all increased their output by more than 1 million tons of crude oil.

LI PENG INSPECTS NUCLEAR POWER PLANT SITE

OW052034 Beijing XINHUA Domestic Service in Chinese 1337 GMT 5 Jan 86

[By XINHUA reporter Wang Zugao]

[Text] Hangzhou, 5 Jan (XINHUA) -- Inspecting the construction site of the Zhejiang Qinshan Nuclear Power Plant today, Li Peng, member of the Political Bureau of the CPC Central Committee and vice premier of the State Council, pointed out: We should explore our own experiences while doing our work our way, but we must learn advanced foreign technology so that we can successfully build our country's first nuclear power plant.

The Qinshan Nuclear Power Plant, located by the Hangzhou Bay, was approved by the late Comrade Zhou Enlai. It is a major state project designed and built by our country. The construction has been progressing smoothly since it officially started in June 1983.

Presently more than 8 meters of the cylindrical concrete safety body of the main plant have been build, and the construction of the 1,800-meter embankment has been basically completed. Displaying the spirit of the foolish old man who removed the mountains, construction workers are working hard around the clock to build the plant.

This morning, Vice Premier Li Peng was briefed by Yu Hongfu and Ouyang Yu, director and chief engineer of the plant, and made detailed inquiries about the project's total inventment, the manufacturing of equipment, the cost of power generation, the training of workers, and the future of development. Commenting on the progress of the construction, he said that progress should never be achieved at the expense of quality and safety, which are all important. Should there be any contradiction between progress and quality, he added, quality should come first. Concerning the availability of the nuclear plant's equipment, Li Peng said: Quality must be emphasized in manufacturing equipment, and careful calculations and strict budgeting must be made in order to lower the cost. Upon being informed that the Zhejiang Qiantangjiang Engineering Bureau had saved 4 million yuan in undertaking the construction of the embankment, Li Peng said happily that Zhejiang and Hiayan County should be commended for their contributions to the nuclear plant. He urged all units concerned to exert joint efforts so that the nuclear power plant can be successfully constructed.

Jiang Zemin, mayor of Shanghai, and Xue Ju, governor of Zhejiang, who accompanied Vice Premier Li Peng on the inspection, both pledged allout support for the construction of the nuclear plant.

Vice Premier Li Peng had cordial conversations with workers when he revisited the work-site this afternoon.

#### PENG ZHEN MAKES INSPECTION TOUR OF HEBEI PROVINCE

SK010544 Shijiazhuang Hebei Provincial Service in Mandarin 2300 GMT 14 Dec 85

[Text] Peng Zhen, member of the Political Bureau of the CPC Central Committee and chairman of the NPC Standing Committee, inspected our province from 9 to 14 December.

He expressed his ardent wish that the cadres and people of Hebei Province carry forward the glorious revolutionary traditions of the old base, strengthen unity, serve the people wholeheartedly, and strive to better achieve the work of the province.

Despite his old age and the weary journey, on 10 December, he zestfully listened to the work reports delivered by responsible comrades of the Fuping, Pingshan, Tangxian, Lingshou, Gaocheng, and Renqui County CPC Committees.

He said: Judging from these reports, the general principles and policies stipulated since the 3d Plenary Session of the 11th CPC Central Committee are completely correct and deeply enjoy the people's support. Thus, we have further strengthened our determination and confidence for implementing the party's line, principles, and policies.

Some people feel uneasy because they think that the party might change its principles and policies. We may say that the general principles and policies of the party will never be changed because they coincide with the people's wishes for promoting production development. Practices have proved that these principles and policies are completely correct. How can we change them? Specific principles and policies should be stipulated in accordance with different local conditions, occasions, and situations; that is, we should proceed from actual conditions to stipulate and perfect the specific principles and policies in a step-by-step manner.

On 11 December, Comrade Peng Zhen met with leading comrades of the provincial CPC Committee, the provincial Advisory Commission, the provincial People's Congress Standing Committee, the provincial government, and the provincial Discipline Inspection Commission, and held talks with some principal leading comrades. At the forum, he listened to the report on party building delivered by Xing Chongzhi, secretary of the provincial CPC Committee, and the report on economic work delivered by Zhang Shuguang, governor of the province.

Comrade Peng Zhen affirmed the achievements made by the provincial CPC Committee and government, and expressed satisfaction with Hebei's work and situation.

From his personal experiences, he relayed the party's history. In line with the party's historical experiences and lessons, he ardently set forth expectations on Hebei's cadres. First, cadres should persist in principles and strengthen unity, and be united on the basis of principles. Second, cadres should strengthen their study of Marxist theory. This was a new requirement set forth by Comrade Deng Xiaoping at the National Conference of Party Delegates. Third, cadres should strengthen the party building, correct party style, and handle affairs strictly in accordance with the party regulations and law.

Comrade Peng Zhen was much excited upon arriving at the Shijiazhuang vehicle plant on 12 December, where he had lived and worked. He talked intimately with old workers, model workers, advanced producers, scientific and technological personnel, and cadres. After reviewing the fighting history of the workers movement at that time, he encouraged them to distinguish the principal aspects from the secondary ones in judging the problems and the current situation. He said: We must not ask for perfection in everything. Persons, affairs, work, and the situation that are basically good are acceptable.

During his stay in Shijiazhuang, Comrade Peng Zhen also listened to the work report of the provincial People's Congress Standing Committee, and the report on oil field development delivered by the North China Petroleum Administrative Bureau.

#### ZHAO ZIYANG WISHES STUDENTS HAPPY NEW YEAR

OW011118 Beijing XINHUA Domestic Service in Chinese 0258 GMT 31 Dec 85

[Text] Beijing, 31 Dec (XINHUA) -- On the eve of the new year, the students of the 1984 class of the Department of Chemistry of the Beijing Normal University received a letter from Comrade Zhao Ziyang.

In this letter, written on 27 December, Comrade Zhao Ziyang warmly wished the future teachers a happy new year and earnestly urged that, after they have become people's teachers, they work hard to educate their students to become educated personnel with lofty ideals, socialist ethics, and a sense of discipline.

Today ZHONGGUO JIAOYU BAO [CHINESE EDUCATION JOURNAL] frontpaged the letter, which reads: "I wish you new progress in the new year. You are the people's teachers in the future. The revitalization of our country requires generations of educated builders with lofty ideals, socialist ethics, and a sense of discipline. In order for you to educate your students according to these requirements in the future, you should educate yourselves according to these requirements now. These are just common words. But just because they are common, I am convinced that you can do it if you try hard."

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CHINA  
PRC NATIONAL AFFAIRS

LI XIANNIAN SENDS NEW YEAR GREETING TO CHILDREN

OW062339 Beijing Domestic Service in Mandarin 2230 GMT 5 Jan 86

[Text] XIN SHAONIAN BAO [NEW JUVENILE NEWS] on 6 January publishes on its front page President Li Xiannian's new year's message to youngsters across the country.

The message says: You are the future masters of the country, and we have placed hopes in you. You must study hard, build up physical strength, strive for progress, and aspire to become new communist persons imbued with ideals, morals, general knowledge, and discipline.

BEIJING RADIO MESSAGE NOTES TASKS FOR NEW YEAR

OW021129 Beijing Domestic Service in Mandarin 2230 GMT 31 Dec 85

[Station new year's message: "Struggle in Unity To Greet the First Year of the Seventh 5-Year Plan"]

[Text] The year 1985 has triumphantly departed, while 1986 has been ushered in amid rosy dawn. On this morning of New Year's Day, we wish to extend our festive greetings and regards to all the workers, peasants, intellectuals, and PLA commanders and fighters across the nation, as well as to the compatriots in Taiwan, Hong Kong, and Macao and overseas Chinese who are residing abroad. We congratulate them on their successes scored over the past year and wish them even greater achievements in the coming new year.

Recalling the past year, the great motherland has achieved success in every field of endeavor and the political and economic situation is excellent. Economically, the targets for 1985 have been fulfilled ahead of schedule, thereby accomplishing the Sixth 5-Year Plan in an all-round way. The task set forth at the 12th CPC National Congress on striving for a fundamental turn for the better in revenue has basically been realized. The reform of the economic structure focusing on the cities has also made steady progress. Politically, the entire nation is stable and united, the people are high-spirited and vigorous, the succession of new cadres to the old and cooperation between the two have been further promoted, socialist democracy has been gradually perfected, and the socialist legal system has been constantly strengthened, thereby ushering in a lively political situation.

Today is the first day of 1986. Beginning today, China enters its Seventh 5-Year Plan period for national economic and social development. The Seventh 5-Year Plan period is an important period for connecting the preceding and succeeding periods. It is of very important significance to work well in the next 5 years for further consolidating and developing the excellent situation since the 3d Plenary Session of the 11th CPC Central Committee, for better ensuring economic rejuvenation and prosperity in the nineties, and for smoothly realizing the grand objectives by the turn of the century. The 7 years since the 3d Plenary Session of the 11th CPC Central Committee have been one of the best periods since the founding of the People's Republic in political and economic development. The Seventh 5-Year Plan period has been provided with comparatively better conditions for working for an even more splendid future. The various principles and policies of the CPC Central Committee have been translated into actions by hundreds of millions of people and are producing a tremendous force. The people of various nationalities in China must further unite in the new year and work hard in a down-to-earth manner in light of the demands by the party Central Committee. They must carry forward the spirit of the foolish old man who removed the mountains, blaze a new trail, and strive to advance the cause of socialist modernization.

XI ZHONGXUN, TIAN JIYUN ATTEND MEETING ON RELIGION

OW062216 Beijing XINHUA Domestic Service in Chinese 1235 GMT 6 Jan 86

[By reporter Zhou Lixian]

[Text] Beijing, 6 Jan (XINHUA) -- Receiving the representatives attending the national convention of directors of religious affairs bureaus and departments today, Xi Zhongxun, member of the Political Bureau of the CPC Central Committee, pointed out: We adhere to the party's policy of freedom of religious beliefs. Our fundamental starting point and objective of handling all religious issues is to unite all religious believers and nonbelievers so that they will concentrate their will and strength on attaining the common goal, namely building the nation into a modern socialist power.

Xi Zhongxun fully endorsed the work accomplished by various departments concerned in handling religious affairs over the past several years, saying that their achievements can be primarily generalized as follows: First, they have adhered to the correct guidance for work, thus bringing the party's operation in handling religious affairs back on the right track; second, they have accomplished a great deal in implementing policies toward religious work, and reopened the sites for religious activities, thus normalizing religious activities; and third, regarding serving the four modernizations and achieving self-sufficiency, religious groups, temples, and churches have achieved a good head start in developing production and sponsoring public services. Because of these achievements, we have been able to unite the religious circles and religious believers on a broader basis, further expand the patriotic united front, and arouse their enthusiasm to serve the four modernizations. In doing this, we have promoted friendly contacts with religious organizations and personages of foreign countries, thus expanding our country's political influence.

Concerning the tasks of future religious operation, Xi Zhongxun said: The main tasks of future religious operation will be: Stepping up implementation of the policies toward religious affairs; intensifying the administrative leadership over the sites of religious activities; promoting unity with professional religious personnel, educating them and training more of them; actively guiding and encouraging religious people and believers to take part in socialist modernization; and making religious work serve the party's general task and general goal in an even better way.

Tian Jiyun, member of the Political Bureau of the CPC Central Committee and vice premier, also addressed the convention. Yang Jingren, vice chairman of the CPPCC National Committee; and Yan Mingfu, head of the Propaganda Department of the CPC Central Committee, were present at the meeting.

SHANGHAI'S RUI XINGWEN AT EDUCATION MEETING

OW022310 Shanghai City Service in Mandarin 2300 GMT 30 Dec 85

[Text] The meeting on educational work in Shanghai Municipality concluded triumphantly yesterday. During the meeting, representatives of teachers and leading comrades of various relevant departments on the educational front in the municipality discussed some of the documents on the reform of the educational system and the plan on educational work in Shanghai submitted to the meeting for deliberation. They also offered good suggestions for the revision of the plan.

On the morning of 30 December, Rui Xingwen, secretary of the Shanghai Municipal CPC Committee, heard a report on the meeting and delivered a speech. Huang Ju, deputy secretary of the municipal CPC Committee, presided over the meeting yesterday. On behalf of the municipal CPC Committee and the municipal government, Jiang Zemin, deputy secretary of the municipal CPC Committee and mayor of Shanghai, delivered a speech. He said: An important theme at the current meeting on educational work is to strengthen and improve ideological and political work in schools. Emphasis must be placed on promoting socialist spiritual civilization. In face of the actual conditions in various schools, we must unify the ideas of all students and teachers, on the basis of the guidelines laid down by the National CPC Congress, the speeches delivered by the central leading comrades, and the guiding principle set by the party Central Committee on strengthening ideological and political work.

In his speech, Jiang Zemin pointed out: The most important task in education is to cultivate students so that they become people with lofty ideals, moral integrity, education, and a sense of discipline. It is of paramount importance to train young people to have these qualities. It is a key issue of decisive significance in educating young people. We must make strenuous efforts in all fields and coordinate in educating the young.

Jiang Zemin said: In carrying out educational reform from now on, we must pay full attention to arousing the fighting will of the nation, training more qualified people, and cultivating good, competent personnel. Otherwise, we will deviate from our correct path and take a roundabout route.

Today's JIEFANG RIBAO carried a commentator's article on its front page, entitled: "Persistently Carry Out Educational Reform, Train More People With Lofty Ideas, Moral Integrity, Education and a Sense of Discipline."

RUI XINGWEN ON DATE FOR SHANGHAI CPC CONGRESS

OW050034 Shanghai City Service in Mandarin 2300 GMT 31 Dec 85

[Text] Nearly 50 model workers and advanced personages from various fronts happily attended a meeting sponsored by the Shanghai Trade Union Council yesterday morning to usher in the new year.

Rui Xingwen, secretary of the Shanghai Municipal CPC committee; Jiang Zemin, mayor of Shanghai; Yang Di and Wu Bangguo, deputy secretaries of the municipal party committee, and other leading comrades were present.

The leading comrades extended their festive greetings to Shanghai's 12 million people, wishing them success in contributing to the implementation of the strategy for Shanghai's economic development during the new year.

Speaking at the meeting, Rui Xingwen recalled the economic accomplishments of the nation and Shanghai in 1985, and commented on the prospects for Shanghai's Seventh 5-Year Plan. He pointed out that during the Seventh 5-Year Plan plan period Shanghai must make an effort to strengthen its urban infrastructure, expand its exports in order to earn more foreign exchange, and explore new ways of utilizing foreign capital and technology. He added that the fifth Shanghai municipal party congress will be held around the Spring Festival in 1986.

Jiang Zemin, Yang Di, and Wu Bangguo also addressed the meeting. They said: Shanghai should be able to advance in five areas during the next 5 years. Not only should we become a model in building a material civilization, but also in building a spiritual civilization as well.

#### SHANGHAI MAYOR URGES PROGRESS IN NEW YEAR

OW030836 Shanghai City Service in Mandarin 2300 GMT 31 Dec 85

[New Year's Day greetings from Mayor Jiang Zemin to Shanghai people; date and place not given -- recorded]

[Excerpts] Dear residents, how are you? At this joyful moment when we are bidding farewell to the old year and ushering in the new, on behalf of the Shanghai Municipal People's Government, I wish you a happy new year.

With the kind attention of the party Central Committee and the State Council and under their leadership, the more than 10 million people in Shanghai have worked hard and accomplished the tasks of the Sixth 5-Year Plan ahead of schedule. They made heartening achievements in the past year.

However, we still have a long way to go in our work in order to meet the demands set by the party Central Committee and the State Council and to live up to the expectations of the Shanghai people. Shanghai is still quite backward in urban construction and management because of insufficient basic facilities and limited financial and material resources. Shanghai's public transportation is still very crowded. There is still a shortage of housing for urban residents. Shanghai's tertiary industry is still far from meeting the needs of the people's livelihood. In order to overcome these problems, we must continue to work hard as one and implement our great plans in the new year.

We should make new achievements in the new year and make a good start in the implementation of the Seventh 5-Year Plan. In the new year, we should work in accordance with the guidelines of the National Conference of Party Delegates and under the leadership of the municipal party committee, further implement the policy of reform and opening to the outside world, make great efforts to improve economic efficiency, increase exports to earn more foreign exchange, actively harmonize economic relations, firmly readjust the setup of production, develop the tertiary industry, step up the construction of basic urban facilities, rationalize urban layout, continue a steady and coordinated economic development, and conscientiously perform some actual deeds for the people. In order to meet the needs of new tasks in the new year, our cadres at all levels must firmly improve the work style, further foster the notion of serving the people, unite all Shanghai people to work hard with one heart and one mind, pool their wisdom and forge ahead, and make our fond wish come true.

In conclusion, I wish you and your families a happy new year.

GUANGDONG HOLDS CONFERENCE ON PUBLISHING WORK

HK031024 Guangzhou NANFANG RIBAO in Chinese 27 Dec 85 pp 1, 2

[Speech delivered by Xie Fei at the provincial conference on publishing work on 16 November 1985: "It Is Necessary To Attach Primary Importance to the Social Benefits of Publishing Work"]

[Text] Since the 3d Plenary Session of the 11th CPC Central Committee, the publishing undertakings of our province have developed rapidly and achieved gratifying success. Thanks to the hard work and efforts of workers in publishing circles, the variety of publications in our province increased at an average annual rate of 10 percent during the Sixth 5-Year Plan period. There was also an improvement in quality. Dozens of publications won national prizes after public appraisal. In reforming the operations and management of publishing work, we have gained some experience. However, there are still problems that remain unsettled. The major ones are that some publications have bad quality and some are not in good taste. There is not much variety but a large circulation for these publications, thus bringing about bad social benefits. The appearance of these problems has resulted from the idea of "putting money above all else," which prevails among some of our comrades working in publishing circles. In publishing work, some comrades are still unable to handle correctly the relationship between social benefits and economic returns.

It is necessary for us to attach primary importance to social benefits in publishing work and to take them as the only criterion in judging the quality of our publications. As factories produce material products, publishing houses produce intellectual products. Therefore, they should uphold the principle of attaching primary importance to the quality of their products. What then is the yardstick to evaluate the quality of intellectual products? The only yardstick is to see whether they are helpful or harmful to the building of a socialist civilization which is advanced culturally and ideologically and to see whether they make a good or bad impact on society.

We must realize that both material and intellectual products are important products of social production which meet different aspects of the needs of the people. Good intellectual products are not only a source of knowledge as well as an artistic treat for people, but are also a force which encourages them to make progress. Marxism believes that once the progressive force for the mind is grasped by the masses, it turns into a material force which changes society and transforms nature. On the other hand, bad intellectual products hinder people from fostering a correct outlook on life and becoming mature in a healthy way. If these intellectual products are "opium for the mind," they poison the hearts of people, wreck social stability, and stunt the development of the socialist cause. The influences of bad intellectual products are much greater and deeper than that of bad material products. Of course, bad material products are also harmful to society and the people. We should not neglect their harmfulness. However, people realize the impact of intellectual products on society less than that of material products. The quality of intellectual products has a bearing on the growth of a generation of people. Such effects cannot be calculated by money. For this reason, the whole society should take great interest in this problem. Comrades working at publishing houses, which produce intellectual products, as well as at other relevant departments should always bear in mind the quality of their products. They must consciously make greater efforts to provide people with large amounts of nourishment for the mind so as to increase their ability to resist the corrosion of decayed capitalist and feudal ideas and to cultivate a new generation of educated people with lofty ideals, moral integrity, and a strong sense of discipline. Workers in publishing circles should have a strong sense of responsibility and always bear in mind the nature and significance of their work for the people and society. Their work is in fact work of helping people reach higher levels and promoting the building of "two civilizations." Therefore, the tasks of workers in publishing circles are both glorious and important.

Of course, the quality of intellectual products is not completely decided by publishing houses. Authors and writers should first and foremost make an effort to improve the quality of their works. However, publishing houses decide whether a work or a publication can be published or distributed in society. In this sense, publishing houses play a decisive role in the quality of publications.

Comrades working in publishing circles should work conscientiously to guarantee the quality of works. They should "give the green light" to good works, help to refine and process average works, and close the gates on bad works. Efforts should be made to improve quality. They should not be satisfied with themselves to work as "quality checkers" and sit and wait for "delivery of goods to their doorsteps." What is more important is that they should draw up plans and go out to visit writers and ask them to prepare publishable manuscripts. In this aspect of work, they should fully develop their ability, enthusiasm, and creativeness. Only by so doing will they be able to gain the initiative in improving the quality of publications, not just "cooking for immediate consumption" and not putting themselves in a passive position. Major progress has been achieved in publishing work in our province. Not only is it necessary for us to sum up the work, but we should make sure that we do not overemphasize quantity nor lower quality for money. We must concentrate our efforts on improving quality.

With regard to the production of intellectual products, we are required to attach primary importance to quality and social benefits. Does this mean that we should pay no attention to economic returns? Of course not. The point is how to better integrate social benefits with economic returns. Generally speaking, there is unity between the two. If a book is good for society, it certainly will have good sales and yield better economic results. There have been many such cases. However, unity between social benefits and economic returns is determined by many factors. Sometimes the two may contradict each other. For example, some books with poor taste or some novels depicting the so-called "strange cases" in a rough and slipshod way may attract the curiosity of some people and make profits from good sales, but they are not good for society. Meanwhile, publishing houses may suffer losses by publishing some books of academic and professional knowledge because there are fewer readers, but they have to publish these books with a view to stimulating cultural development. A publishing house makes profits when it publishes some books which can yield good social and economic results as well. It suffers losses when it publishes some books which meet the needs of society for cultural development but which attract few readers. Suffering losses and making profits are a common phenomenon in publishing work. With regard to social benefits and economic results, we must take them into consideration in an all-round way. In my opinion, to handle correctly the relationship between social benefits and economic returns, we must work hard with great efforts in the following aspects:

First, attention must be paid to training talented people and improving the quality of personnel in publishing circles. To ensure the quality of intellectual products and to maintain the development of publishing work, the key lies in training qualified personnel and enhancing their ideological and cultural quality. Only by so doing will we be able to correctly implement the party's publishing policy and will we enable publishing work to better serve the building of the "two civilizations."

Second, attention must be paid to social survey in order to find out what the urgent needs of readers are. With the implementation of our policy of opening up to the world and the restructuring of the national economy, the rise in the people's living standards has proposed a new and urgent requirement for intellectual products. With the carrying out of education in ideals and discipline, there will be an ever increasing need for good intellectual products. We must not lose sight of such requirements for different kinds of publications in society or of general trends. Only by doing this will we be able to "cope with things in good time."

Third, it is necessary to intensify the work of publicizing and distributing good books. Xinhua Bookstore, as a major channel for the distribution of books and magazines, should give full play to its role. All bookstores should make efforts to publicize and recommend new and good books. At present, the circulation of publications is based on orders placed by bookstores. We must stop doing this blindly, because those who place orders for bookstores may not know exact consumer demands. How to make good books attract more readers and increase their subscriptions and circulation is an important problem calling for careful solution. Guangdong Province has a population of 60 million and a heavy demand for publications. Therefore, we must increase the circulation of good books. Meanwhile, we must make efforts to explore more channels and expand networks for the distribution of publications; in particular, we must open up intensive markets in the rural areas.

Fourth, attention must be paid to doing a good job of business accounting and improving operations and management. We should have both long-term plans and make short-term arrangements. We should produce both good quality "key" products and those needed most by readers. Meanwhile, we should strive to produce more products which yield good social and economic results and should also produce some products which may suffer losses but are needed by the people. On the premise of guaranteeing social benefits, we get more done with less money by careful calculations and strict budgeting in publishing work. Furthermore, when studying and formulating policies, we should also consider how to encourage the publication of more books which are good for society.

It is our belief that the building of our socialist civilization which is advanced culturally and ideologically will inevitably promote a faster development of our publishing undertakings. In the course of advance, there will certainly be difficulties, but we should approach problems from the essential aspects with a view toward development. Through our hard work, a new situation will surely emerge in our publishing work and the situation will get better and better.

#### GUANGZHOU COMMISSAR INSPECTS HAINAN DIVISION

HK070300 Haikou Hainan Island Service in Mandarin 0400 GMT 5 Jan 86

[Text] Guangzhou Military Region Political Commissar Zhang Zhongxian recently inspected a certain division stationed on Hainan Island, accompanied by Hainan Military District Commander Pang Weiqiang. They held cordial talks with party and government leaders of Hainan Li-Miao Autonomous Prefecture.

Earlier, Political Commissar Zhang Zhongxian accompanied General Secretary Hu Yaobang on a visit to Xishaqundao shortly before New Year's Day to celebrate the arrival of 1986 with the officers and men stationed on the island. On his way back from Xishaqundao, Zhang went to Wuzhi Shan, to call on the officers and men stationed there, extending his new year greetings.

During his inspection, Political Commissar Zhang Zhongxian fully affirmed their accomplishments made in the reform of military training of qualified people for both military and civilian purposes, and in cultural work, afforestation, public health, and maintenance of arms. He called on the comrades to bring forward the style of arduous struggle and to do a good job in building the army itself and to make contributions to the take-off of the treasure island.

GUIZHOU MEETING DISCUSSES DISASTER RELIEF

HK040329 Guiyang Guizhou Provincial Service in Mandarin 2300 GMT 3 Jan 86

[Excerpts] The provincial government held a telephone conference on 3 January to make further arrangements for the livelihood of the rural masses. This work should be grasped as a major affair and thoroughly firmed up. It is necessary to promote self-salvation through production in disaster areas, so as to stimulate the entire provincial economy and fight a successful first battle in the Seventh 5-Year Plan.

Governor Wang Chaowen presided and spoke. Vice Governors Liu Yulin and Luo Shangcai also spoke.

The meeting pointed out that the province suffered severe natural disasters last year which could hardly be resisted, and production and life in the rural areas have encountered great difficulties. Although arrangements have been made for relief work, production and daily life measures have not been sufficiently firmed up. We must spend a concentrated period of time before the Spring Festival in making really sound arrangements for the livelihood of the masses in the disaster areas.

We must grasp the focal points in this work and oppose bureaucratism and egalitarianism. Relief funds must first be used to meet the needs of severely stricken areas, places that suffer disaster and need relief every year, and poor and remote minority-nationality areas, to enable these areas to get through a year of calamity, with state help.

The meeting stressed that the key to doing a good job in arranging the masses' livelihood lies in strengthened leadership by the government at all levels. The government must put the work of relief through production in an important place on its agenda, and the leaders at all levels must personally grasp the work.

GUIZHOU LEADERS VISIT PRODUCTION UNITS

HK031510 Guiyang Guizhou Provincial Service in Mandarin 2300 GMT 1 Jan 86

[Excerpts] While happily spending the joyous New Year's Day 1986, leading comrades of the provincial party and government, including Hu Jintao, Wang Chaowen, Ding Tingmo, Zhang Shukui, and (Liu Yuling), went to the production forefront to call on workers and to extend new year greetings to them.

On the afternoon of 31 December, Hu Jintao, secretary of the provincial CPC Committee, went to the machinery repair and assembly factory of (Liujie) Mining Bureau to visit the workers at the production forefront and to extend seasonal greetings and cordial regards to them. In the evening, Comrade Hu Jintao attended the soiree to ring in the new year. He happily spent the joyous New Year's Day with the workers.

On 1 January, Wang Chaowen, deputy secretary of the provincial CPC Committee and governor, and Vice Governor (Liu Yuling) went to Guiyang Steel Plant to extend seasonal greetings to the workers, engineers, technicians, and cadres who were persisting in fighting hard at the production forefront. They encouraged all workers in the whole plant to unite, work hard, carry out the great plan together, and strive to fight the first battle of the Seventh 5-Year Plan well.

On 1 January, Ding Tingmo, deputy secretary of the provincial CPC Committee, and Zhang Shukui, a member of the provincial CPC Committee Standing Committee and vice governor, went to the Guizhou Emery Wheel Plant No 7, the Guizhou organic chemical works, and (Hongfeng) [words indistinct] factory to pay a comfort visit to the workers who were persisting in carrying out production during the holiday. They extended seasonal greetings to the workers.

SICHUAN CONTROLS EXCESSIVE GROWTH OF FUNDS

HK031312 Chengdu Sichuan Provincial Service in Mandarin 2300 GMT 31 Dec 85

[Text] According to the provincial Statistics Bureau, the excessive growth of consumption funds in the province 1 year ago has been put under good control over the past few months. The growth rates of expenditure on several major items have dropped sharply compared with 1984.

1. In 1985, the increase rate of wage expenditure was 39.6 percent in the first quarter, 27.9 percent in the second quarter, 24.2 percent in the third quarter, and 23.2 percent in October.

2. In 1985, the increase rate of management fee expenditure of administrative organs, enterprises, and institutions in the province was 93.8 percent in the first quarter, and then dropped quarter by quarter to 5.9 percent in October.

3. The increase rate of the purchase amount of consumer goods by social groups was 43.3 percent in the first quarter, and then dropped quarter by quarter in 1985.

The control of consumption funds has paved the way for a large increase in the state's financial income. A new situation of coordinated and normal economic development has appeared in the province.

SICHUAN RADIO URGES CORRECTING UNHEALTHY TRENDS

HK050311 Chengdu Sichuan Provincial Service in Mandarin 2300 GMT 4 Jan 86

[Station commentary: "We Must Boldly Tackle Tough Problems When Investigating and Dealing With Unhealthy Trends and Violations of Law and Discipline"]

[Excerpts] To accomplish a fundamental turn for the better in party style and social mood is a major task assigned to the whole party by the 12th party congress.

At present there are three main methods being used in investigating and dealing with unhealthy trends and violations of law and discipline. The first is that used by Dukou City CPC Committee, which insists on governing the party strictly, is bold in tackling tough problems, and resolutely persists to the end in investigating and punishing unhealthy trends and violations of law and discipline. Such a method stimulates a turn for the better in the atmosphere and ensures the smooth progress of economic structural reform.

The second method is that used by certain comrades, including some engaged in leadership work, who become very indignant on hearing of unhealthy trends but fail to seriously investigate and deal with them. This attitude of empty statement of views is itself an unhealthy trend of bureaucratism and failure to take responsibility. It must be resolutely corrected.

The third method is that used by certain cadres who pose as bystanders, blame everyone and everything but themselves, and are hypercritical of anyone who takes action, while failing to take any practical action themselves. This behavior is extremely wrong and is incompatible with a party member, especially a party-member cadre.

XIZANG LEADER ON LIVING CONDITIONS FOR CADRES, WORKERS

HK040215 Lhasa Xizang Regional Service in Mandarin 1130 GMT 3 Jan 86

[Excerpts] Regional CPC Committee Secretary Wu Jinghua went to Naidong County on 24 December to investigate and study.

He spoke on making proper arrangements for the daily life of cadres, staff, and workers and doing a good job in producing and supplying vegetables, milk, and so on.

He said: The organ cadres in Xizang have to grow their own vegetables, mainly because the market supplies are insufficient. The outskirts of urban areas must take advantage of their strong point in vegetable cultivation and promote social services, so that the cadres can be at ease. If plenty of vegetables are produced and the supply problem is solved, the organs and factories can gradually cease growing their own vegetables, and the cadres can concentrate efforts on their work and the workers on their labor. The number of organ personnel can be considerably reduced. The vegetable-growing peasants can increase their income.

Wu Jinghua also said: Xizang is one of the country's five great pastoral areas. It is a joke that milk supplies cannot meet demand. We must transfer some cattle-raising experts to make a success of running milch cow farms, and ensure that the cadres, staff, and workers, especially those who are ill, the children, and certain aged and infirm comrades, can drink fresh milk every day to increase their nourishment. Only if they are in good health can they do better in pursuing the people's good.

#### LHASA CIVIL AFFAIRS DEPARTMENT TO ELIMINATE LEFTISM

HK040217 Lhasa Xizang Regional Service in Mandarin 1130 GMT 3 Jan 86

[Excerpts] The Lhasa City Civil Affairs Bureau has seriously implemented the spirit of the enlarged meeting of the regional CPC Committee Standing Committee. On New Year's Eve, it took serious stock of leftist things in the civil affairs departments and resolved to eliminate leftist influence. The following are the main expressions of leftism in these departments:

1. Ideologically, lacking sufficient understanding of the long-term nature of religion, and even restricting religion as a kind of spiritual pollution.
2. Lacking sufficient understanding of nationality and united front work and paying insufficient attention to it; also, providing insufficient support and help for this work in some aspects.
3. Paying insufficient attention to the use of Tibetan language: simply advocating that Tibetan and Han cadres learn Tibetan language without providing sufficient support and help for this effort.
4. Failing to realize that changing place names is an aspect of eliminating vestiges of leftism. As a result former names have not been completely restored in some places.

Phenomena of egalitarianism exist in the distribution of relief funds for the poor.

The comrades are resolved to completely eliminate leftist thinking and do a thoroughly good job in civil affairs work in the future.

BEIJING PUBLIC UTILITIES BUREAU DIRECTOR DISMISSED

SK060603 Beijing BEIJING RIBAO in Chinese 15 Dec 85 p 1

[Excerpts] On 13 December the municipal People's Congress held its 25th Standing Committee meeting to make a decision on dismissing Ma Xueliang from the post of director of the municipal Public Utilities Bureau.

In a report submitted to this meeting, Mayor Chen Xitong pointed out: The municipal government plans to dismiss Ma Xueliang, director of the municipal Public Utilities Bureau, who caused serious consequences by neglecting his duty and accepting bribes, and suggests that judicial organs determine his criminal liability according to law. According to Article 28 of the "PRC Organizational Law of Local People's Congresses and People's Governments at Various Levels," the request for dismissing Ma Xueliang from the post of director of the Public Utilities Bureau was submitted to the meeting for approval.

Vice Mayor Zhang Baifa gave an explanation regarding the problems of Ma Xueliang at the meeting. Through discussions the meeting agreed with the report by Mayor Chen Xitong, and decided to dismiss Ma Xueliang from the post of director of the municipal Public Utilities Bureau. Ma Xueliang will be investigated and handled by judicial organs.

The meeting was presided over by Ma Yaoji, vice chairman of the municipal People's Congress Standing Committee. Attending were other vice chairmen -- Pan Yan, Hou Jingru, Pu Jiexiu, Chen Mingshao, Zhang Dazhong, Xing Jun, and Xia Qinlin. Attending as observers were Vice Mayor Zhang Baifa, the acting president of the municipal Higher People's Court, the acting chief procurator of the municipal People's Procuratorate, and responsible comrades of various district and county People's Congress standing committees.

BEIJING MEETING DISCUSSES UNHEALTHY TRENDS IN TRADE

SK060631 Beijing BEIJING RIBAO in Chinese 14 Dec 85 p 1

[Excerpts] On the afternoon of 13 December at a meeting to exchange experiences in correcting the unhealthy trends of various trades sponsored by the party rectification guidance group of the municipal CPC Committee, Jin Jian, deputy secretary of the municipal CPC Committee, called for great efforts to correct the unhealthy trends of various trades committed by making use of their own specific advantages.

The CPC Committee of the municipal machinery and construction company and the financial and trade department of Changping County introduced their experiences in conscientiously correcting the unhealthy trends of various trades.

Gu Jiangsheng, leader, and Cheng Zhiping, deputy leader of the north China inspection group of the Party Rectification Guidance Commission of the CPC Central Committee, attended the meeting.

Comrade Jin Jian spoke. He pointed out: At present one of the major reasons why the masses are not satisfied with the results of party rectification is that various trades and professions, in particular those with direct bearings on the vital interest of the masses, have failed to overcome their unhealthy trends successfully. The existence of the unhealthy trends committed by various trades by making use of their work advantages is mainly because our leading cadres did not conscientiously attend to this work, and because some of these comrades themselves possess unhealthy ideas.

Leading comrades at various levels should clearly understand the serious danger of the unhealthy trends of various trades, formulate feasible measures, and achieve actual results in correcting the problems about which the masses have many complaints as they did in correcting the unhealthy trends of the construction industry.

He pointed out: In improving party style, an important aspect is to step up the investigation and handling of major and appalling cases. We should regard the cases of dereliction of duty, such as abusing power for selfish interests, and bureaucratism, and the cases of violating laws and discipline committed by leading organs and leading cadres as the key, investigate and handle them sternly, and never be soft-hearted toward them or tolerate them. We should have the courage to break the protection film, destroy the network of personal relations, and resist the trend of interceding for others. We should not only investigate and punish those who commit the cases but also pursue the criminal liabilities of the leaders who shield and connive with each other and bend the law for the benefit of their relatives or friends.

He urged party and government leading organs and leading cadres at all levels throughout the municipality to resolutely correct unhealthy trends in line with the CPC Central Committee's circular on several serious problems in current work styles of organs so that leading organs at various levels will truly become models and examples in improving party style and social conduct.

#### NEI MONGGOL INCREASES COAL PRODUCTION

SK040946 Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 3 Jan 86

[Text] During the implementation period of the Sixth 5-Year Plan, our region has steadily developed its coal production. As of now, the region has invested almost 2 billion yuan in capital construction for coal production, accounting for 99 percent of the original plan. The region has shown an increase of 8.58 million tons of raw coal in its production capability, a yearly average increase of 7.6 percent. Of its coal mines, collieries whose products are covered by the state unified plan have shown a yearly average increase of 8 million tons of coal and of 8.5 percent. The total coal output in 1985 reached 29.53 million tons, an 1.34-time increase over the 1980 raw coal output figure.

The (Hulinhe) and (Yilihe) open-cut collieries that were newly built and put into production have shown an annual production capability of 4 million tons. The annual production capability of the 14 advanced coal pits, including the No 1 pit at (Baolexile) in Hulun Buir League, and the (Kangbao) coal pit in Baotou City, has reached more than 3.4 million tons. These new collieries and pits have laid a foundation for achieving sustained development in coal production throughout the region.

#### NI ZHIFU OPENS TIANJIN QING DYNASTY STREET

OW020645 Beijing XINHUA Domestic Service in Chinese 1410 GMT 1 Jan 86

[By Reporter Zhu Yuquan]

[Excerpt] Tianjin, 1 Jan (XINHUA) -- An ancient cultural street, consisting of more than 80 shops in the architectural style of the Qing Dynasty, was completed in Tianjin. It was opened to the public, along with nearly 100 stores on the street, on 1 January.

Ni Zhifu, member of the Political Bureau of the CPC Central Committee and secretary of the Tianjin Municipal CPC Committee, cut the ribbon at the ceremony marking completion of the street.

HEILONGJIANG CPC SECRETARY ON GRAIN, HOG PURCHASING

SK050748 Harbin Heilongjiang Provincial Service in Mandarin 2200 GMT 4 Jan 86

[Excerpts] In a speech given to reporters on the new situation that has emerged in the course of purchasing grain and hogs in the rural areas, Sun Weiben, secretary of the provincial CPC Committee, said: Rural cadres should manage things according to the party policies and should use policies to boost the patriotic zeal and the production enthusiasm of the masses. The way of doing things in an oversimplified and crude manner should be resolutely stopped. Sun Weiben talked about this problem in line with the situations reflected in 23 letters from the masses. These letters came from Zhaodong, Keshan, Zhaozhou, Qingan, Zhaoyuan, Suihua, Hailun, Lindian, Yilan, Gaoqing, Bayan, and Acheng Counties.

Sun Weiben said: Rural cadres should manage things in line with policies. All stipulated policies must be strictly implemented and must not be changed at will. Otherwise, we will break faith with the people. Policies must not be replaced by sentiments. In grain and hog purchases and sales, we should act according to contracts and maintain the sanctity of the contracts. If we do not have contracts, we should carry out meticulous ideological and political work and let the masses sell their surplus grain to the state on a voluntary basis. We should not practice coercion and commandism or rigidly impose additional fees or fines on the people. We may change contracts with the consent of the masses, but the change must be acceptable to them. The way of doing things in an oversimplified and crude manner should be strictly forbidden.

Sun Weiben also touched on the problems concerning some localities where the people have suggested efforts be made to restore the old practice of unified and assigned purchases of grain and hogs because some problems emerged in the course of grain and hog purchasing. He said: The reasons for the problems should be specifically analyzed in a fact-seeking way. We should bring a matter to a successful conclusion through our work and the implementation of policies. Changing unified and assigned purchases into contract purchases is necessary for developing commodity production in the rural areas and it manifests the unceasing development of reform. One of the important tasks of the rural cadres is to sum up experiences in their work and to continuously consolidate and develop the achievements in reform. By no means should they adhere to the old ways or turn the clock back when they come across problems.

Sun Weiben said: When selecting rural cadres, we should mainly see whether they can cope with the two changes in the rural areas on the premise of revolutionization. To judge whether they are revolutionary or not we must see whether they had problems during the Great Cultural Revolution, whether their ideological lines are correct, and whether their way of thinking and work style are good. As long as we do a good job in solving these problems, we can correctly implement the various party policies.

HARBIN PROCURATORATE CRACKS CORRUPTION CASE

OW041701 Beijing XINHUA in English 1653 GMT 4 Jan 86

[Text] Harbin, January 4 (XINHUA) -- The Harbin Municipal Procuratorate has cracked a corruption case involving 500,000 yuan.

Fifteen criminal suspects including the ringleader, Guo Guangsen, and 20 local officials, have been arrested. Guo was a driver before he was sentenced to prison in 1969 for theft, speculation and profiteering. After being released in 1982, he became manager of a building materials shop run by a neighborhood committee. Later, Guo and a local official made a false report that the shop had a deficit of 160,000 yuan, and Guo took over the shop, which actually had capital amounting to 210,000 yuan.

From August 1984 to May last year, Guo purchased and resold at high rates of profit 1,800 tons of rolled steel, earning 380,000 yuan. He bribed Yi Jingshan, party secretary of the Harbin Real Estate Administration, with 20,000 yuan, and Yang Cheng, director of the Municipal Industrial and Commercial Administration, with 10,000 yuan.

Eight other officials have been arrested on charges of accepting bribes from Guo. The local procuratorate also found that another dozen officials and party members had received cash and gifts from Guo, the mastermind of the scheme.

The investigation is continuing.

#### HEILONGJIANG SECRETARY AT SNOW FESTIVAL PERFORMANCE

SK060112 Harbin Heilongjiang Provincial Service in Mandarin 2200 GMT 5 Jan 86

[Text] A theatrical performance for the second snow festival was given at Harbin youth's palace on the evening of 5 January. It was warmly received. Accompanied by leaders of Harbin City, Li Menghua, chairman of the State Physical Culture and Sports Commission; and Sun Weiben, secretary of the provincial CPC Committee zestfully watched the performance. After the performance, they went on stage to have a group photo taken with the performers.

(Yuan Zheng) and (Mu Xuanfu), famous soloists of the Dongfang song and dance troupe, were invited to give a performance.

#### JILIN GOVERNMENT MEETING ON ARRANGING WORK FOR 1986

SK040748 Changchun Jilin Provincial Service in Mandarin 1030 GMT 3 Jan 86

[Text] On the afternoon of 3 January, the provincial people's government held a meeting with the participation of principal responsible personnel from various commissions, offices, departments, and bureaus under the provincial-level organs to further implement the spirit of the work conference sponsored by the provincial CPC Committee.

At the meeting Governor Gao Dezhan delivered a speech, in which he stated: The commissions, offices, departments, and bureaus of the provincial level organs should do a good job in summing up 1985 work in the manner of seeking truth from facts in line with the spirit of the work conference of the provincial CPC Committee and make arrangements well for 1986 work by displaying the spirit of actively forging ahead in order to achieve new developments in work for 1986 and to forge new levels.

In his speech Comrade Gao Dezhan emphatically pointed out: In summing up 1985 work, we should tell the truth and present actual figures, and in making arrangements for 1986 work we should do practical work and seek practical effects.

In referring to the issue on upgrading the standard of leadership and improving the ideological and work style, Comrade Gao Dezheng stated: Efforts should be made to enhance investigation and study and to upgrade the standard of policy decisions. It is necessary for us to conduct investigation and study in preventing shortcomings in our work concerning leadership, and particularly to adopt a prudent attitude toward the provisions concerning policies. We should strengthen political and ideological work to further straighten out party style and should bring into play the enthusiasm of all cadres through work. Efforts should be made to enhance the work of building the cadre ranks, to improve the quality of these ranks, and to pay attention to upgrading standards in the fields of professions, ideology, and work style.

In line with the responsibility systems enforced on various fronts, a good job should be done in dealing with the problems of seeking personal gain by taking advantage of power. Efforts should be made to concentrate on building personnel contingents on various fronts. Various departments should carry out their administrative work by conducting cooperative activites among them and actively provide harmonious measures for the province's work in order to upgrade work efficiency.

The departments in charge of management should actively do a good job in conducting harmonious work and the departments in charge of comprehensive work should do much work in carrying out their official work in a cooperative manner in order to enable themselves to be enthusiastic, possess initiative, and be positive. Efforts should be made to encourage the leading personnel in various departments to directly discuss their problems and to do a good job in enhancing their own management in order to achieve a comprehensive balance among various fronts. The departments should strengthen the work of adopting policies and carefully writing their documents in order to upgrade the quality of documents issued by the leading organs.

In concluding his speech, Governor Gao Dezhān made concrete arrangements for work in January.

#### JILIN LEADERS PARTICIPATE IN HARNESSING YITONG HE

SK050411 Changchun Jilin Provincial Service in Mandarin 2200 GMT 4 Jan 86

[Excerpts] On 4 January, the provincial and Changchun City leaders participated in the work of comprehensively harnessing Yitong He. Participating in labor were the party, government, and Army leaders of the province and Changchun City, office cadres, the PLA units stationed in Changchun, commanders and fighters of the provincial Armed Police Force, and workers, students, and residents in Changchun. Also present were leading comrades of the provincial CPC Committee, the provincial Advisory Commission, the provincial People's Congress, the provincial government, and the provincial Discipline Inspection Commission, including Gao Di, Gao Dezhān, Wang Zhongyu, Wang Daren, Zhang Shiying, Zhao Xiu, Huo Mingguang, Liu Cikai, Cheng Shengsan, Wu Duo, Cui Lin, Wang Jiren, Zhu Jinghang, Xu Yuancun, Liu Yunzhao, Gao Wen, Liu Shulin, Wang Jinshan, and (Li Demin) as well as the Changchun City CPC Committee and government leaders, including Xiao Chun and Chen Zhenkang, and leading comrades of the provincial militia district, the PLA units stationed in Changchun, and the provincial Armed Police Force such as Chen Xingyin, (Yue Zhonghuan), (Ma Fengton) (Bai Wenzhong), and (Fu Benchun).

QINGHAI COMFORT GROUP SETS OFF FOR DISASTER AREAS

HK061041 Xining Qinghai Provincial Service in Mandarin 2330 GMT 2 Jan 86

[Text] Yesterday morning [2 January], the provincial CPC Committee and provincial people's government held a send-off ceremony in the courtyard of the provincial government to fervently bid farewell to all comrades of the comfort group of the provincial party, government, and Army going to the disaster areas. Leading comrades of the provincial party, government, and Army, including Yin Kesheng, Song Ruixiang, Song Lin, (Su Shujian), and (Lu Baoyun), attended the ceremony.

Yin Kesheng, secretary of the provincial CPC Committee, said to the comrades of the comfort group: [Begin recording] Overall, the losses caused by this snow disaster should be serious. However, due to the hard work and concerted efforts of the people and cadres in the disaster areas, we have scored relatively great achievements in disaster relief work. To consolidate these achievements, to help the people in the disaster areas with development, to make good arrangements for the livelihood of the people in the disaster areas, and to support production in the disaster areas next year [as heard], the comfort group must on the one hand convey the concern of the CPC Central Committee and State Council and on the other, show concern for the people in the disaster areas on behalf of our provincial CPC Committee and provincial people's government. Moreover, it must understand the specific situation of the disaster areas and consult the masses in the disaster areas. In this period of giving relief until May next year [as heard], we must consult them about production next year [as heard]. In winter, we shall surely encounter many difficulties. We must bear hardships and work hard. I hope that the comrades will work hard. On behalf of the provincial CPC Committee and provincial people's government, I wish the comrades in the disaster areas good health. [end recording]

When the comrades of the comfort group of the provincial party, government, and Army were about to set out, cadres of the organs of the provincial government beat drums and gongs and set off firecrackers.

The comfort group of the provincial party, government, and Army will be divided into five subgroups, which will go to Qumarleb, Zadoi, Zhidoi, and Madoi Counties and the Tanggula Shan Region to pay comfort visits and to help with work.

Before departure, Han Yinxuan, head of the provincial general comfort group, said to the reporters: [Begin recording] All comrades of our comfort group will convey the concern of the CPC Central Committee, State Council, provincial CPC Committee, provincial government, provincial People's Congress, provincial CPPCC Committee, and Qinghai Military District to the people in the disaster areas. We will establish the idea of combating the disaster for a long period of time, carry out the struggle against the disaster to the end, and strive for the final victory. [end recording].

RURAL JUVENILE DELINQUENCY INCREASING ON MAINLAND

OW070405 Taipei CNA in English 0242 GMT 7 Jan 86

[Text] Taipei, Jan. 6 (CNA) -- Juvenile delinquency has become a very serious problem in mainland China, especially in the rural areas, informed sources said in Taipei Monday. Before 1979, the sources said, most of the juvenile delinquency cases occurred in the cities. However, youths living in rural areas have committed more crimes than their counterparts in big cities since 1982, the sources said.

Analyzing the reasons for the increasing juvenile delinquency, the sources said that the "new agricultural production system" is the first to blame for the worsening situation on the mainland. The problem has become a blight upon Communist Chinese leaders, who had in the past boasted of the success of their agricultural policies. The sources said that the new production system, which turned every farming family to an independent production unit, has made the relations among farmers very tense and has caused many disputes among them.

The situation in rural areas is nearly out of Peiping's control because it usually excluded farming villages from anti-crime operations, the sources said. Moreover, the ubiquitous availability of pornographic publications, videotapes or those featuring violent crimes have been powerfully suggestive to young people, the sources added.

PRESIDENT CHIANG'S NEW YEARS DAY MESSAGE

OW061100 Taipei CHINA POST in English 1 Jan 86 p 1

["Text" of President Chiang's New Years Day message to the nation issued on 1 January 1986]

[Text] Dear Fellow Countrymen: Today is the 74th founding anniversary of the Republic of China. On this joyous and peaceful New Year's Day here in this bastion of national revival, our people are exuberant and prosperous. This is symbolic of the affluence of a society of the Three Principles of the People. It also reflects our full confidence in winning the anti-Communist struggle and our assurance of the bright future of our national development!

Freedom, equality, and equitable distribution of wealth -- the ideals of the Three Principles of the People -- are the goals the Republic of China has been striving for since Dr. Sun Yat-sen founded the Republic. Today, with the obvious contrast of our stability against the enemy's instability on the other side of the Taiwan Straits, we recognize even more that only through the realization of the Three Principles of the People in all China will the China problem be fundamentally resolved and will permanent world peace be approached. Therefore, we must constantly remind ourselves of the need for our relentless endeavor to create the future of China and to accomplish the aspirations of the Chinese people!

My dear fellow countrymen, although we are not living in ordinary times, our direction of progress has never deviated from constitutional democracy based on the Three Principles of the People. Because we are well aware of the keen expectations of our compatriots at home and abroad as well as of our grave responsibilities no matter how the situation may change, we will continue to press forward to advance democracy and the rule of law. This is the foundation on which our Constitution and our Republic are based. It is also our most fundamental commitment to the country and the people. I sincerely hope that our compatriots will closely bear this in mind. As long as we are honest, selfless, open-minded and devoted in a concerted effort, we will be able to overcome every obstacle, gain our victory against the communists and recover the mainland!

Our efforts over the past 30 years in this bastion of national revival have paved the way for national modernization. It proves that the Chinese, under a free and democratic system, can shine gloriously. Certainly, we should not be complacent or fail to anticipate future difficulties and challenges. As we all know, a step of progress here means a step closer to mainland recovery. Henceforth, under the general guideline that our constitutional democracy must be upheld, we shall accelerate economic development through more liberal measures, promote cultural and technological development in more concrete ways, and enhance social solidarity and harmony in earnest. In so doing, we can rally every anti-Communist force to accomplish the sacred mission of reunifying China under the Three Principles of the People at an early date.

A bright tomorrow depends on today's efforts. The beginning of a new year is not only a time to celebrate and to rejoice, but also a time to look ahead and to exert ourselves. Let us take the accomplishments so far as a starting point to strive even harder for a tomorrow full of hopes. And let us all join and acclaim:

Long Live the Three Principles of the People!

Long Live the Republic of China!

PREMIER URGES VIGILANCE AGAINST COMMUNIST TRICKS

0W031233 Taipei CNA in English 0943 GMT 3 Jan 86

[Text] Taipei, Jan. 3 (CNA) -- Premier Yu Kuo-hwa said Friday the Republic of China had had some noticeable accomplishment as well as unfortunate incidents in the past 12 months.

Speaking at a New Year gathering of the Kuomintang, Yu called on the nation to remain vigilant about Peiping's united front tactics while beefing up defense capabilities. He said he felt painful about some major scandals in an obvious reference to the involvement of ranking military officers in the Henry Liu case and the Tenth Credit Cooperative's loan racket. He also lamented the persistence of violent crimes, the rampancy of juvenile delinquency and deficiency in social harmony.

On the bright side, the premier lauded the outpouring of sympathy and manifestation of selflessness by the people on many occasions. He also noted that the people's living standard has continued to improve. Last year, car ownership rose to 7.3 units per 100 persons, tap water supply reached 82.1 percent of the households, and per family electricity consumption increased to 58.4 kWh per month.

While the 4.7-percent economic growth last year was far from satisfactory, it still excelled that in most industrialized countries, the premier pointed out. In foreign trade, the Republic of China now ranks 16th in the world with a favorable balance exceeding U.S. dlrs 10 billion.

As the success of the Republic of China poses a threat to the survival of the communist system on the mainland, Peiping is trying to conquer Taiwan without firing a shot in anger by threatening the use of force on the one hand and isolating the Republic of China internationally and sowing discord in Taiwan, Yu said. Therefore, he added, the people must support the government to thwart Peiping's tricks besides strengthening military preparedness for the sake of national security.

CHENG MING SAYS CPC TO DEAL WITH SPECIAL ZONES

HK070148 Hong Kong CHENG MING in Chinese No 99, 1 Jan 86, pp 13-14

[Article by Chen Mien: "Beijing To Solve Issues Concerning Special Economic Zones"]

[Text] Issues concerning the special economic zones have puzzled the CPC for quite a while. After the National Conference of Party Delegates in September, the CPC should have been able to have some time and energy to solve these issues. However, just like unexpected obtruders bouncing in halfway, the 18 September and 9 December campus upheavals disrupted many of the CPC's work arrangements. At present, the campus upheavals have passed, so the issues concerning the special economic zones have been put on the agenda of the CPC Central Committee. According to a reliable source, one of the focal points of the CPC's economic work in the first half of 1986 was to solve the issues concerning the special economic zones. The same source also disclosed that at the end of January 1986, senior officials will have a meeting in Guangzhou to study and determine the orientation of the economies of the special economic zones. By then, the leading figures of the CPC Central Committee will all be present.

The problem with Shenzhen is that the state had invested too much money in Shenzhen, while the money it now earns is from the interior. The way out for Shenzhen is to sell its products to foreign countries rather than to the interior and make its industries become open, export-oriented and capable of earning foreign exchange through exports and introducing advanced technology and management.

Earning foreign exchange through exports can not be achieved overnight. It took Hong Kong over 30 years to become what it is. How is it possible for the Shenzhen Special Economic Zone to have a meteoric rise in just a few years? Cadres in Shenzhen generally do not have very much confidence in it. Moreover, the central government has already reduced its investment so Shenzhen can not attain this wish by itself alone or with all the human and financial resources in Guangdong Province.

Since special economic zones were set up by reformers and their success or failure is a matter of life or death for them, they will not give up easily. Therefore, after securing the succession of "the third echelon" to the leadership (in the National Conference of Party Delegates) and averting the campus upheavals in Beijing, it should be the right time to crack the hard nut of the special economic zones.

#### The Comeback of the Special Economic Zone Policy

Recently, cadres in Guangdong Province were once again in a light mood. In particular, the cadres in Shenzhen and Hainan Island have begun to jump for joy, as two gratifying things happened recently. First, at a recent conference called by the provincial CPC Committee, Liang Xiang, the former mayor of Shenzhen (and the current deputy governor of Guangdong Province and CPC secretary of Shenzhen City), fully affirmed the achievements of the Shenzhen Special Economic Zone. People hold that this shows that although he was dismissed from office (as mayor of Shenzhen), he has not compromised and agreed that the crises confronting the special economic zones were caused by wrong special economic zone policies. Some people hold that this meeting of Guangdong Province is a preliminary meeting for the meeting of the central authorities in January.

Second, recently, Gu Mu made a work tour of Hainan Island and delivered a heartening speech. He affirmed the achievements of the work of Hainan in the past and declared that the policy of opening up to the outside world for Hainan Island would be resumed.

When this heartening news was released, the people in Hainan Island were overjoyed and prepared to go all out. Of course, like a patient who just recovered from a serious illness, the cadres in Hainan Island become clear-headed and know that this special policy is not an easy thing to get. It is believed that they will draw a lesson from the "car rush," carry out economic activities within the scope of the law and policy, and really, earnestly build Hainan in a down-to-earth way.

#### Lei Yu Has Been Quite Well Since He Left Hainan

What fate will Lei Yu meet? This is one of the most noticeable questions concerning Hainan Island. After he was dismissed from office, it was said at the time that he would be appointed deputy secretary of the county party committee in Huaxian or Shanshui. But he did not actually take this position. He recently went to study at the Central Party School. The department concerned intended him to take an official post in Beijing after his studies at the party school ended, but this official post will not be higher than Lei Yu's original post -- director of the Hainan Administrative Office (which is at the vice provincial level governor). However, the masses and cadres in Hainan are planning to present a petition to the central authorities to plead for Lei Yu. As a matter of fact, the CPC top leadership understands Lei Yu's practice in Hainan. Gu Mu made it plain in his recent speech. Hainan is indeed too poor. Without taking some very special measures, as Lei Yu thought and did, it would not be possible for Hainan to change its backward conditions in a short period. As long as Lei Yu did not line his pockets in the "car rush," he should be rehabilitated.

In the past few months, in order to "choke" the political life out of Lei Yu, his political rivals have tried by every means to collect evidence against him. They wanted to prove that Lei Yu had gotten private gains from the "car rush." They even spread rumors that they had found evidence of Lei Yu's corruption. A Hong Kong magazine also helped spread these rumors and carried articles attacking Lei.

However, facts have proved that Lei Yu is honest and incorrupt. Those people who hate Lei Yu may be disappointed at facing these facts. Gu Mu did not mention this point in his speech in Hainan, but a cadre engaged in organizational work in Guangzhou said that Lei Yu's case may remind reformers that it is not enough for them to be enthusiastic about reforms and opening up; they must also be honest and incorrupt. Only thus can they be in an invincible position in the course of reform.

#### A Top-Secret Document About Restraining the Import of Japanese Goods

Apart from the policies for the special economic zones, the policies for import and export trade, especially for the import of new technologies and equipment, have also been readjusted. The purpose of these readjustments is to continue to keep China open to the outside world.

In order to appease the anti-Japanese sentiment at home and to reverse the unfavorable balance of payments in trade with Japan, the central authorities recently issued a "red-headed" top-secret document, which stipulates that beginning 1 January 1986, no Japanese industrial goods for daily use, including television sets and cassette recorders, will be allowed to be imported.

Another document laid down some principles for doing business with foreign companies. For example, new technologies imported from abroad must be those urgently needed and not available domestically, and their prices must be reasonable, and the import of those not urgently needed will not be permitted. Before importing new products and technologies from abroad, the importing units should first investigate the international market to find out the average price and sale conditions of these products and technologies.

Then, they should submit import applications to the central departments concerned for approval. When buying new products produced with imported equipment, the user units should pay foreign exchange to the domestic producers. For example, each year the state appropriates some foreign exchange for art units to import top quality video and audio tapes. Now some domestic enterprises have imported new equipment to produce these quality goods. If the art units buy the tapes from these domestic manufacturers, they should also pay for them with foreign exchange.

The restrictions on export trade are more relaxed than those on imports. The documents also contain specific stipulations on exports. For example, the export of such goods as corn, rabbit fur, and valuable herb medicines, in great demand on that international market, must be approved by the central department concerned; and the export of weapons and war materiels must be approved by the Ministry of Foreign Affairs and the Ministry of National Defense. The export of other goods should be approved by the foreign trade department at the provincial level.

#### The Special Economic Zone Will Not Be Subordinate to Guangdong Province

As mentioned above, the special economic zones hold an important position in foreign trade. In recent months, as cadres engaged in political work were busy going to schools to give advice to students, many economic cadres gathered quietly in Shenzhen. Shenzhen is subordinate to Guangdong Province in terms of administration, but the local government in Shenzhen cannot bring all economic affairs in this special economic zone under its control. For example, the general Administration of Civil Aviation has set up 36 enterprises in Shenzhen. Therefore, when the special economic zone ran into trouble, various economic departments at the central level were also involved. Since October, many central departments have sent work groups to make investigations in Shenzhen. In early November, the State Council sent several economic experts to find out about the situation in Shenzhen; and in December, Gu Mu personally went south to Shenzhen to inspect work.

All this was intended to pave the way for the conference on the work of special economic zones to be held by the central authorities in Guangzhou in early 1986. It is said that Guangzhou rather than Shenzhen was selected as the meeting place, because the authorities concerned did not want to embarrass the Shenzhen cadres. It is said that Shenzhen will no longer be a "special economic zone of Guangdong Province," but will be a "special economic zone of the whole country." The top leadership of Shenzhen has been changed several times in the past. From Wu Nansheng to Liang Xiang, the principal leaders were all appointed by Guangdong Province. However, the appointment of Li Hao by the State Council to be Shenzhen mayor shows that the special economic zone will be directly subordinate to the state.

In early November, 18 central departments held a meeting in Shenzhen to discuss the development of outwardly-oriented industries in the special economic zone. The meeting emphasized that making the special economic zones a success is not the task of a province; the affairs of the special economic zones concern the whole country. So all industries and trades should show concern for the special economic zones and support construction in the special economic zones. After the meeting, Chen Muhua also said that the whole country should give financial support to the special economic zones.

All this shows that 1 year after the central authorities stopped giving financial support to Shenzhen, they will soon restore financial support to Shenzhen. In early 1985, the reformers were in a very difficult position as there was a nationwide economic crisis, and they were forced to reduce investment.

Now, after reviewing the policies for the special economic zones, they found that "the special economic zones will benefit the whole country" rather than that "the special economic zones have profited at the expense of other areas of the country." This will be a new starting point for China's special economic zones. Although it is still too early to draw any conclusion before the opening of the conference to be held by the central authorities on the special economic zone work, many indications have shown that this conference will be a sign of victory for the reformers.

YU QIULI DISCUSSES PLA OFFICER PROBLEMS

HK060641 Hong Kong MING PAO in Chinese 6 Jan 86 p 5

[**"Special Dispatch From Guangzhou": "Yu Qiuli Points Out in Guangzhou That Army Officer Quality Urgently Needs Improvement"**]

[Text] The PLA will make efforts in three respects -- putting the officer system on a sound basis, improving officer quality, and building the leadership groups well -- to strengthen the building of the officer contingent. This was recently pointed out by General Political Department Director Yu Qiuli in a speech to Guangzhou Military Region. At an enlarged meeting of the Guangzhou Military Region CPC Committee and a meeting of secretaries of CPC committees of three levels held on 21 December, Yu Qiuli gave the following four views on strengthening the building of the PLA officer contingent:

1. Do a good job of work concerning officers. The main thing in PLA streamlining and reorganization work is to carry out work concerning the officers. It is imperative to do a good job of work to stabilize mentally those officers remaining in the Army. We should enable them all to understand the great significance of making a success of building the Army and stimulate their sense of responsibility for defending the country; and we must strengthen management and make proper arrangements for resettling those officers who are surplus to requirements. The leaders must treat as equals those officers who are still required and those who are surplus to requirements, showing equal concern for them politically, setting them the same demands in study, giving them equal living conditions, and setting them equally strict disciplinary standards.

2. Put the Army officer system on a sound basis. An important future task is to continue to put the officer system on a sound basis, to ensure that there are rules and regulations to follow in Army personnel work and that the work gradually becomes systematized. This is the requirement of stabilizing the Army officer contingent and strengthening its building. The general demand and principle is that the work must help to make the officer contingent more revolutionary, younger in average age, better educated, and more professionally competent; it must help with discovering and making rational use of talented people; it must help to mobilize the enthusiasm and creativity of the whole officer body; and it must help in maintaining stability and continuity in the units.

3. Improve the quality of the officers. Building a modern Army requires modern arms and equipment and also requires officers with a high level of political awareness who are capable of mastering advanced military technology, of handling modern units, and of commanding in modern war. It is impossible to achieve modernization of the Army without an officer contingent with both ability and political integrity and of high quality in all respects. And at present some of the officers, and in particular a considerable number of officers of organs at or below Army level and basic-level officers, are of rather poor quality. We must therefore focus on solving three problems: 1) improving political quality; 2) improving military quality; 3) cultivating good work style.

4. Do a good job in building the leadership groups. This is the most important thing in building the officer contingent. At present we must regard improving work style and straightening out party style as the primary tasks in building the leadership groups at all levels. Yu Qiuli particularly pointed out when discussing party style that there are indeed phenomena of rottenness and rotten elements in the Army, and there are many problems in its party style.

BEIJING SAID SUFFERING FROM 'HONG KONG PHOBIA'

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[Article by Lo Ping: "Beijing Officials Have a Bad Dose of Hong Kong Phobia"]

[Text] Three Central Committee Members-Directors Will "Leave Office" One After Another

"Three Central Committee members-directors will 'leave office' one after another." This is a rumor spreading in Beijing's cultural circles. The so-called "three Central Committee members-directors" are Qin Chuan, director of RENMIN RIBAO; Zhu Muzhi, former director of XINHUA NEWS AGENCY and minister of culture; and Xu Jiatun, director of XINHUA NEWS AGENCY's Hong Kong branch. Qin is a CPC Central Committee member, while Zhu and Xu are members of the Central Advisory Commission.

Qin Chuan takes a rather relaxed attitude when handling things. Though about 70, he is healthy. But it has only been about 2 years since he took over the post of director from Hu Jiwei. Why is it that he will "leave office" soon? Will it be for undisclosed reasons? (Editor's note: According to reports from foreign news agencies on 24 December 1985, Qin Chuan's post of director will be taken over by the deputy director of the International Liaison Department.)

Minister of Culture Will Be Replaced

Ideologically, Zhu Muzhi inclines relatively toward the "left" and he is not very competent. Therefore, people in cultural circles have lots of complaints about him. It is almost certain that his leaving the office of minister of culture, will be to the immense satisfaction of these people. It is learned that the CPC Central Secretariat has prepared a preliminary namelist of candidates for the position. One of the candidates is Xu Huaizhong, whose work "A Relentless Lover" has been revised and made into a movie starring Liu Xiaoqing. In 1975, Xu was treated as a rightist. His career was therefore full of hardship. He has an amiable disposition and thus, he was easily accepted by various parties in the process of redistributing power. However, there are several candidates "vying with each other" for minister of culture.

What Is the Reason for Transferring Xu Jiatun Back to Beijing?

I am much concerned about the future arrangements for Xu Jiatun, director of XINHUA NEWS AGENCY Hong Kong branch. It is learned that Xu Jiatun will not "leave office" within the next few months but probably in a year from now. This is because it is not easy to find an appropriate successor for him. Though some people recommended Qiao Zonghuai, son of Qiao Guanhua, an alternate member of the CPC Central Committee and deputy secretary general of XINHUA NEWS AGENCY Hong Kong branch, it seems that this is not the right moment.

"What is the reason for transferring Xu Jiatun back?" I asked a friend whose work concerns foreign affairs: "Is it because his recent remarks were wrong? The remarks about 'some people not following the joint declaration,' which were made in Hong Kong."

"To a certain extent, the remarks were right; and to another, they were wrong. The remarks were 'right' because Deng Xiaoping had made similar statements; and the remarks were 'wrong' because of the circumstances and way in which they were made.

"Xu Jiatun opposes the British Hong Kong Government's system of representative government. Is it not in keeping with the requirements of the CPC Central Committee?"

#### Confidential Document Reveals Attitude of Communist China

"Yes. A document marked 'confidential' carries the remarks of senior member of the XINHUA NEWS AGENCY Hong Kong branch. He said: "The struggle during the 12-year transition period will be a very complicated one. The British Hong Kong Government plans to realize the goal that, after 1997, there will be 'British people ruling Hong Kong' without the British presence." This is of course a representative view -- it first represents the attitude taken by XINHUA NEWS AGENCY Hong Kong branch. Nobody disagreed on the document following its release. Therefore, we can see that this is also the viewpoint of the CPC Central Committee. The so-called "British people ruling Hong Kong" without the British presence means that, by 1997, Hong Kong will have an independent political power or a pro-British government. Since Communist China has such a belief, it opposes any "great change" during the transition period; opposes any reform of the political system, and opposes the establishment of representative government; so as to prevent the British people from realizing their political goal."

#### Is a Pro-British Government a Fearful Thing?

I asked, "What is your personal opinion?"

"It will of course be a bad thing if there is a really pro-British government left in 1997. But there is nothing to be afraid of, except that, by that time, China will not have solved its own problems. From my point of view, there are two categories of people who are enthusiastic for reform of the political system. One group is of course the pro-British people, and the other comprises those who really want democracy. Of course, the democratic political system pursued by this category of people contains the element of 'resisting communism through democracy.' But if our Communist Party really serves the people and really improves the livelihood, from spiritual to material life, of people living in mainland China, why should the people of Hong Kong resist us? Even though there is a really pro-British government left at that time, the people of Hong Kong will not be inclined toward the British without cause or reason, because they are basically Chinese. Even though the government is inclined toward the British in its first term, it will change its stand in the second or third term. I believe that, if conditions allow, it is not bad for Hong Kong to pursue democracy. This may well provide us with experiences worth drawing upon by mainland China in future."

#### The Worry of "Being Modeled on Hong Kong"

This is very open-minded thinking. However, many friends in Beijing believe that at present, there is a serious degree of xenophobia among some cadres. They are worried that one day mainland China will "be modeled on Hong Kong." They are worried that by the time we resume sovereignty over Hong Kong, we shall have "a Shenzhen which is modeled on Hong Kong, a Guangdong which is modeled on Shenzhen, a whole country which is modeled on Guangdong."

That is, by the time mainland China regains sovereignty over Hong Kong; it will follow the path of Hong Kong.

Their worry of "being modeled on Hong Kong" has infected the principal leaders of Communist China with "Hong Kong phobia" and has made them develop the strategy of "resisting Hong Kong." "Hong Kong phobia" means that they are afraid of "pollution" from Hong Kong, and the things that they "resist" are Hong Kong influences.

The case of Hu Qiaomu is the most typical one in this respect. He had written Xi Zhongxun and Hu Qili letters in which he mentioned the Hong Kong issue. Hu Qiaomu said: "At present, there are many magazines using the name of Taiwan publications, as well as other publications of vulgar interests, on the newsstands of Beijing. They have all become so popular that their pernicious influence has spread widely. Therefore, we can think about the situation of the country as a whole. In fact, this has helped those people who cherish the dream of making mainland China model itself on Hong Kong and Taiwan. Thus, we should pay close attention to the matter."

#### We Must "Influence Hong Kong by Using Socialism"

Hu Qiaomu did not clarify whom "those people" refers to. He only said: In order to achieve the reunification of the motherland, we should strengthen our work concerning Hong Kong and Taiwan, including the tasks of communicating information and conducting normal cultural exchanges. However, we must keep a sober mind and realize that in terms of ideology, there is an issue of influencing the other party concerning us on the one hand, and Hong Kong and Taiwan on the other. Are we going to influence Hong Kong and Taiwan by using socialist thinking and patriotism, or are we to allow the corrupt bourgeois thinking and lifestyle to influence us through Hong Kong and Taiwan? Our answer can only be the former.

#### Hu Qiaomu's Remarks Reveal a Secret

The remarks have revealed a secret, and that is that the leaders of Communist China have formulated the strategy of "resisting Hong Kong by using socialism." On the one hand, some people advocate the practice of "resisting communism through democracy;" and on the other, some people advocate the practice of "resisting Hong Kong by using socialism." It is really a tit-for-tat situation. Hu Qiaomu is "the most authoritative theorist" in the CPC and one of the members of Deng Xiaoping's thinktank. On the issue of Hong Kong, I am afraid that Hu Qiaomu is not only the "spokesman" of the conservatives but also of the reformers. From Hu Qiaomu's remarks, we can see the sincerity of Communist China in maintaining the Hong Kong capitalist system after 1997. Perhaps we may assume that it cherishes sincerity, and also complete enthusiasm. But since they never forget the practice of "influencing Hong Kong by using socialist thinking and patriotism (actually, the doctrine of loving the party)," can they unswervingly follow the original principles and policies?

#### Export Socialism to Hong Kong

Perhaps some people may say that Hu Qiaomu is just Hu Qiaomu, and cannot represent the CPC Central Committee. But it is not the case that Hu Qiaomu was infected with "Hong Kong phobia" or conceived the plan of "resisting Hong Kong influences" only recently. As early as 1982 when the CPC Central Committee decided to resume sovereignty over Hong Kong, which decision was not made public, Hu Yaobang and others made similar remarks at an important closed meeting:

We are now facing the bourgeoisie of Hong Kong, Macao, Taiwan and overseas. They want to erode and corrupt our ranks and have even said that they will model Guangdong on Hong Kong. We must struggle against them. At present, however, they (except those few who run joint enterprises with us) are not under the jurisdiction of PRC sovereignty. We cannot deal with them in the same way that we treated the national bourgeoisie in 1952. For this reason, this is a long-term struggle.

The "struggle" that Hu Qiaomu referred to is the class struggle. The "influence" mentioned in his letter to Xi Zhongxun and Hu Qili is a part of the "struggle." If the decision-makers of the CPC Central Committee took Hu Qiaomu's remarks, which were made 3 years ago, as "sheer nonsense," how can he uphold this kind of thinking at this time?

#### Background on Why Xu Jiatun Banged on the Table With His Glasses

When we understand this, it will be easily understood why the male Mona Lisa, Xu Jiatun, suddenly stopped smiling, banged on the table with his glasses, and said angrily that some people "do not follow the joint declaration." Is this not the so-called "struggle" mentioned by Hu Qiaomu?

China wants to maintain the prosperity and stability of Hong Kong, and wants Hong Kong to import socialist thinking (including the pattern of "electing among the members" the executive committee chairman, vice chairmen and secretary general of the Basic Law Consultative Committee, as well as the whole concept of the "party's leadership") and the class struggle. Is this not an uncompromising contradiction?

From the astonishing remarks of Xu Jiatun, to the visit of Ji Pengfei to Hong Kong, and the statements of Hu Qiaomu on the issue of Hong Kong, people can see that the Communist Chinese have a bad dose of "Hong Kong phobia." What follows will be the strengthening of "socialist and patriotic influences." If this is the case, how many days are left for Hong Kong on the edge of the Pacific Ocean?

**END OF**

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